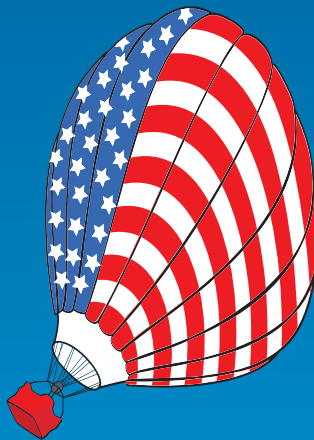




Report to the U.S. Congress on Global Export Credit Competition

June 2018

For the period January 1, 2017
through December 31, 2017



EXIM
EXPORT-IMPORT BANK
OF THE UNITED STATES

CONTENTS

EXIM BOARD OF DIRECTORS AND ADVISORY COMMITTEE STATUS 1

EXECUTIVE SUMMARY..... 2

CHAPTER 1: INTRODUCTION AND OVERVIEW 5

SECTION 1: OVERVIEW OF EXPORT CREDIT AGENCIES AND THE STATE OF OFFICIAL EXPORT CREDIT IN 2017 8

CHAPTER 2: A PRIMER ON EXPORT CREDIT 10

CHAPTER 3: THE STATE OF EXPORT FINANCE IN 2017 14

CHAPTER 4: OFFICIAL MEDIUM- AND LONG-TERM EXPORT CREDIT ACTIVITY 18

 NEW MAJOR MEDIUM- AND LONG-TERM OFFICIAL EXPORT CREDIT VOLUMES 22

SECTION 2: THE “WEAPONIZATION” OF EXPORT FINANCE 24

CHAPTER 5: PROACTIVE EXPORT CREDIT AGENCIES 27

CHAPTER 6: FLEXIBLE EXPORT CREDIT AGENCIES..... 31

SECTION 3: SPECIAL SECTIONS 38

CHAPTER 7: STAKEHOLDER VIEWS 40

CHAPTER 8: THE MEDIUM-TERM PROGRAM 44

SECTION 4: HIGHLIGHTS OF ACTIVITY IN MAJOR PROGRAMS AND POLICIES 48

CHAPTER 9: PROGRAM AND POLICY UPDATES 50

SECTION 5: APPENDICES 52

APPENDIX A: PURPOSE OF EXIM TRANSACTIONS..... 54

APPENDIX B: EQUAL ACCESS FOR U.S. INSURANCE 55

APPENDIX C: TIED AID CREDIT PROGRAM AND FUND 56

APPENDIX D: CO-FINANCING 61

APPENDIX E: ENVIRONMENTAL POLICY 63

APPENDIX F: SERVICES 65

APPENDIX G: U.S.-FLAG SHIPPING REQUIREMENT 67

APPENDIX H: TRADE PROMOTION COORDINATING COMMITTEE..... 68

APPENDIX I: POINT-OF-EXPERIENCE CUSTOMER SURVEY 71

APPENDIX J: LIST OF EXPORT CREDIT AGENCIES AND PROGRAMS 72

 GLOSSARY..... 75

 ACRONYMS AND ABBREVIATIONS..... 77

FOR ADDITIONAL INFORMATION, SEE THE 2017 COMPETITIVENESS REPORT
AT WWW.EXIM.GOV.

EXIM BOARD OF DIRECTORS AND ADVISORY COMMITTEE STATUS

June 2018

BOARD OF DIRECTORS

Jeffrey D. Gerrish

Chairman and President, acting

Wilbur L. Ross, Jr.

U.S. Secretary of Commerce

Board Member, ex officio

Robert E. Lighthizer

U.S. Trade Representative

Board Member, ex officio

ADVISORY COMMITTEE STATUS

Section 3(d)(4) of the EXIM charter calls for the Bank's Advisory Committee to submit comments on the findings of the Competitiveness Report to Congress. The 2017 Competitiveness Report does not include comments from an Advisory Committee because the Bank was unable to appoint one for calendar year 2017 due to the lack of a quorum on EXIM's Board of Directors since July 2015.

EXECUTIVE SUMMARY

KEY FINDINGS

The Export-Import Bank of the United States (EXIM or the Bank) lacks a board quorum and is therefore unable to approve long-term (LT) export finance transactions. Consequently, this report represents the second consecutive year in which the Competitiveness Report focuses on the changes other export credit agencies (ECAs) are making to enhance their competitiveness and the impact that EXIM's absence from the LT market is having on the U.S. export community. To these points, the 2017 Competitiveness Report contains the following findings:

1. There is increasingly clear confirmation that the official export credit landscape has undergone a fundamental shift in the post-Global Financial Crisis (GFC) world. Outside of the United States, ECAs are no longer viewed predominately as transaction-oriented, reactive lenders of last resort. Instead, foreign ECAs are increasingly being "weaponized"—specifically organized and equipped to be maximally flexible and proactive in order to incentivize a shift in sourcing or support trade policy, particularly in key industries.¹
2. The shift towards "weaponization" began with the ECAs of China, Japan, and Korea, as covered extensively in previous editions of the Competitiveness Report. The continued competitive pressure applied by the scale and flexibility of the Asian ECAs, particularly those from China, feeds the "sea change" in Europe among governments seeking to reinvent export credit support as their economies become more dependent on exports for growth and as banks evidence that their contraction from the LT export finance space is structural.
3. ECAs are using new programs and flexibilities to compete. Prevalent tools include (a) "pump-priming" programs under which an ECA identifies a foreign company that could import more from the ECA's country and offers these companies what is essentially a line of credit, only requesting that the company be open to marketing and matchmaking from the ECA's home country; (b) flexible content policies and enhanced risk taking; and (c) the introduction or expansion of programs outside of the OECD Arrangement to compete for strategic projects.²
4. The change in stance among ECAs is taking place in a marketplace populated by ever-wider participation from other suppliers of commercial financing. The interplay among these suppliers, which include private insurers and boutique specialists such as Marsh's Aircraft Finance Insurance Consortium (AFIC) and development finance institutions (DFIs), is an increasingly important element to track moving forward.
5. As reported by stakeholders, EXIM's absence has disproportionately hurt smaller U.S. sub-suppliers along the supply chains of large exporters. Large exporters are more readily able to shift production to foreign facilities, often with the help of foreign ECAs, and still make their sales. Sub-suppliers often cannot relocate and so are replaced by their foreign competitors. Sales at U.S. sub-suppliers and employment in the United States suffer as a result.

1 The term "weaponization" originates from a book by Jack and Rebecca Harding, *The Weaponization of Trade: The Great Unbalancing of Politics and Economics*. The authors argue that governments are increasingly using trade to achieve strategic objectives, particularly in key industrial sectors. It is important to note that "weaponization" does not reflect an effort by foreign ECAs to target business that EXIM would be able to conduct given a board quorum. Instead, "weaponization" refers to governments calling on ECAs to be more proactive in finding business and to provide additional support for targeted industries or countries on the basis of national interest. Some of this business may overlap with EXIM's and some may not.

2 The OECD Arrangement is a "Gentleman's Agreement" among countries that are members of the Organisation for Economic Cooperation and Development (OECD), which establishes transparency provisions and guidelines governing the financing terms and conditions of export credits provided by participating ECAs.

BACKGROUND

EXIM is required by Congress to produce an annual Competitiveness Report that examines EXIM's competitiveness relative to its major ECA counterparts. This year marks the second consecutive year that the Competitiveness Report cannot make this comparison; rather, it can only note the changes and activities of foreign ECAs and record exporter, lender, and buyer comments regarding the impact that EXIM's continued absence from the LT market is having on the U.S. export community. Despite being authorized through September 30, 2019, the Bank remains unable to approve transactions in amounts greater than \$10 million in value (with few exceptions) because it does not have the three voting board members required to constitute a quorum. President Donald Trump has sought to restore EXIM to full functionality, nominating individuals to serve on EXIM's Board of Directors. As of publication, four nominations to EXIM's Board are awaiting confirmation by the U.S. Senate. In April 2018, President Trump named Deputy Ambassador Jeffrey Gerrish to serve as the Bank's acting president and chairman. As of June 6, 2018, there are nearly \$43 billion in transactions in EXIM's pipeline that require a vote by EXIM's Board of Directors that could support an estimated 250,000 U.S. jobs. According to commentary from all parties to an export finance transaction (exporters, banks, and buyers), EXIM's continued absence will likely incentivize U.S. exporters of major capital equipment and foreign ECAs to work together to develop more and better programs and tools that effectively trade off foreign ECA support on U.S. exports for a U.S. exporter's long-term commitment to increase the foreign share of its supply chain.

In their book, *The Weaponization of Trade: The Great Unbalancing of Politics and Economics*, Jack and Rebecca Harding argue that trade has been "weaponized"—i.e., that governments are increasingly using trade to further strategic objectives both nationally and internationally, and particularly in key industrial sectors. At a recent export credit conference in Europe, a speaker from an Italian Ministry went a step further, noting that economic competition is now among states, not companies. Recent shifts in the fundamental role that ECAs are being asked to play by their governments reflect this new reality.

GLOBAL CONTEXT

A variety of global factors have resulted in today's "weaponized" official export credit world, characterized by increasingly intense competition for large, strategically important projects in priority sectors. These factors include:

- **Emergence of the Chinese System** – The Chinese export credit system's performance over the last 10 to 15 years has impressed upon other ECAs a sense of urgency to change policies and programs or risk losing access to large swaths of key markets. The Chinese system is particularly influential for the following reasons:
 - a. It is the world's largest ECA system, yet no full explanation of its components exists outside China.
 - b. It is one of the world's most flexible ECA systems, operating outside the OECD Arrangement with the freedom to adjust terms and conditions to meet the needs of borrowers.
 - c. It is one of the most well-coordinated ECA systems because the two Chinese ECAs are enmeshed in whole-of-government efforts to develop priority sectors as identified in Made in China 2025 and regions as identified in the Belt and Road Initiative (BRI).
- **Market Changes** – The impact of the GFC and the European Debt Crisis on commercial markets caused foreign governments to fundamentally reconsider the appropriate role of ECAs. Governments were simultaneously grappling with the following constraints:
 - a. In the face of steadily increasing demand for MLT finance, a basically flat supply of export finance from commercial banks due largely to regulatory factors like Basel III, Know Your Customer (KYC), and Anti-Money Laundering (AML) rules. These regulations significantly constrain the tenor and size of transactions commercial banks are willing to fund for non-investment grade borrowers.
 - b. Exhaustion of many of the fiscal and monetary policy options that existed prior to the GFC.

Details and illustrations of these key findings and trends are the core of this report.

METHODOLOGICAL NOTE

Congress mandates that EXIM provide U.S. exporters with financing terms and conditions that are “fully competitive” with those financing terms and conditions provided by foreign governments to their exporters. The charter indicates that where data are not available, EXIM should estimate foreign ECA activity and include it in the report. The Bank is also directed to include a survey of a representative number of stakeholders on their experiences regarding EXIM’s role in meeting financial competition from other countries whose exporters compete with those from the United States. To meet these varied requirements, the Bank conducts both quantitative and qualitative analyses of official export credit activities.

In preparing this report, EXIM drew upon a variety of sources. Specifically, EXIM collected data bilaterally from other ECAs and supplemented this data with information collected through international fora in which EXIM participates.³ EXIM also included data from public sources, such as websites and annual reports. Additionally, the Bank performed substantial outreach to foreign ECAs, exporters, lenders, and other stakeholders to help clarify differences in data and further explain topics of interest in order to support a more fulsome understanding of the scope and scale of export credit support. Importantly, EXIM’s outreach allows the Bank to more accurately portray foreign ECA activity and intent, which helps frame the views of export credit practitioners. The Bank takes great care in trying to make program-by-program comparisons. Where this is not possible, EXIM makes a best-estimate based on available information, per Congress’s direction. Taken holistically, these quantitative and qualitative elements form the basis for many of the Competitiveness Report’s assertions.

³ EXIM would not be able to put together the Competitiveness Report without the gracious assistance of its foreign ECA colleagues. The Bank appreciates the time spent responding to its many inquiries and data requests.

INTRODUCTION AND OVERVIEW

BACKGROUND

EXIM was reauthorized via the Export-Import Bank Reform and Authorization Act of 2015 (PL 114-94) on December 4, 2015. The reauthorization gives EXIM legal authority to operate its full range of programs through September 30, 2019. However, since July 20, 2015, the Bank has been without the board quorum required to take board-level actions. President Donald Trump has sought to restore EXIM to full functionality, nominating individuals to serve on EXIM's Board of Directors. As of publication, four nominations to EXIM's Board are awaiting confirmation by the U.S. Senate. In April 2018, President Trump named Deputy Ambassador Jeffrey Gerrish to serve as the Bank's acting president and chairman.

Despite these positive steps, the Bank's continued lack of a board quorum means that it is generally unable to authorize transactions in amounts greater than \$10 million in value or with a tenor longer than seven years. As a result, in CY2017 EXIM operated only its short- and medium-term programs for a second consecutive year.

EXIM's charter mandates that the Bank submit to Congress an annual assessment of its competitiveness relative to the other major global providers of official export finance. The charter requires that EXIM "indicate in specific terms the ways in which the Bank's rates, terms, and other conditions compare with those offered from such other governments directly or indirectly." Historically, the Competitiveness Report focused on the activity of the Group of Seven (G7) countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States). Pursuant to a recommendation from EXIM's Advisory Committee in 2012, the Competitiveness Report's analysis was expanded to include other major OECD ECAs (Denmark, Finland, South Korea, the Netherlands, Norway, Spain, and

Sweden, among others) and non-OECD ECAs (Brazil, Russia, India, China, and South Africa).⁴ The report was further expanded to include the trade-related support provided by OECD countries that does not fall under the purview of the OECD Arrangement but which could have potential competitiveness implications for the U.S. export community.

Previous editions of the Competitiveness Report highlighted the business EXIM conducted in the medium- and long-term (MLT) arena relative to its competitors because this segment experiences the greatest amount of competition between U.S. exporters (supported by EXIM) and foreign exporters (supported by their relevant ECAs). This type of analysis was not possible this year, as in 2016, because EXIM was not able to approve any LT transactions. As a result, no LT information is available from EXIM for comparison.

This year's analysis focuses on the following:

1. the accelerating trend towards the "weaponization" of export finance: a strategic shift among an increasing number of foreign ECAs around the world towards proactive and flexible policies and programs intended to incent domestic suppliers into global supply chains and protect "national champion"⁵ companies;
2. the implications arising from surveys and focus groups on the importance of EXIM's LT programs to exporter competitiveness, levels of U.S. employment, and ability of many medium-sized and small business entities to inhabit the supply chains of U.S. original equipment manufacturers; and
3. the medium-term (MT) arena, as this program was the only business EXIM was able to conduct in the MLT space in 2017.

4 "OECD ECAs" refers to those ECAs that are both members of the OECD and Participants to the OECD Arrangement on Officially Supported Export Credits.

5 A "national champion" is an exporter that has been identified by its government as being particularly important to the national economy.

REPORT STRUCTURE

The 2017 Competitiveness Report contains five sections:

Section 1 provides a brief history of ECAs and a delineation of the types of ECAs and programs prevalent in today's official export credit landscape. It identifies the major macroeconomic and country-specific trends that impacted the demand and supply for official ECA financing last year and closes with a look at 2017 activity levels for major OECD and non-OECD ECAs.

Section 2 discusses an ongoing, fundamental shift in the role ECAs play within their governments' trade policies, as evidenced by the two varieties of new programs and policies introduced in recent years. The major changes are framed around two main ECA attributes: being proactive or being flexible. This section identifies the nature and character of the MLT official export credit environment within which a fully functioning EXIM would have to operate.

Section 3 examines the findings of EXIM's stakeholder outreach and analyzes the performance of the Bank's MT program in 2017. Each year, EXIM conducts a congressionally mandated survey of exporters and lenders. To provide a more fulsome picture of the impact that EXIM's lack of quorum and the changes occurring at other ECAs have had on the U.S. export community, this year's Competitiveness Report also includes findings obtained through focus groups and one-on-one interviews, the results of a commissioned global survey of exporters, and feedback from the foreign buyers actually making purchasing decisions. The MT program has historically been covered in aggregate with EXIM's LT program. However, given that the Bank could not authorize new LT transactions for the second year in a row, this year's report again examines the MT program in isolation.

Section 4 contains highlights from the major sectors and policies that are typically covered in the Competitiveness Report, including aircraft, project finance, and local costs, among others. Given the Bank's absence from the LT space, these highlights focus largely on relevant sector trends or on program and policy changes that occurred at other ECAs.

Section 5 includes appendices that cover topics required by Congress or that provide additional information on important topics in export finance.

SHORT-TERM PROGRAMS

The Competitiveness Report does not focus on short-term support because the major economies of the world differ markedly in their use of official ECA support in this arena. Specifically, some countries (notably in the European Union) legally prohibit their ECAs from providing short-term support to “marketable risks” because of the breadth and depth of private short-term trade credit providers, while others (specifically in Asia) expect their ECAs to be the main internal providers of short-term trade credit support for all exports because there are few (if any) private providers in their markets. The rest of this report, therefore, focuses solely on medium- and long-term activity where transaction- and sector-specific competition is most likely to exist.

Nevertheless, recent years have seen the expansion of ECA working capital and supply chain programs as a means of facilitating the export readiness of supply chains (described in greater detail in Chapter 5). Figure 1 shows some baseline activity for these and other short-term programs.

FIGURE 1: Volumes of Official Short-Term Export Credit and Other Programs

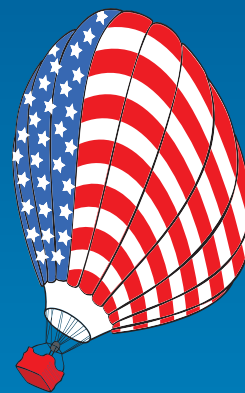
In billions USD

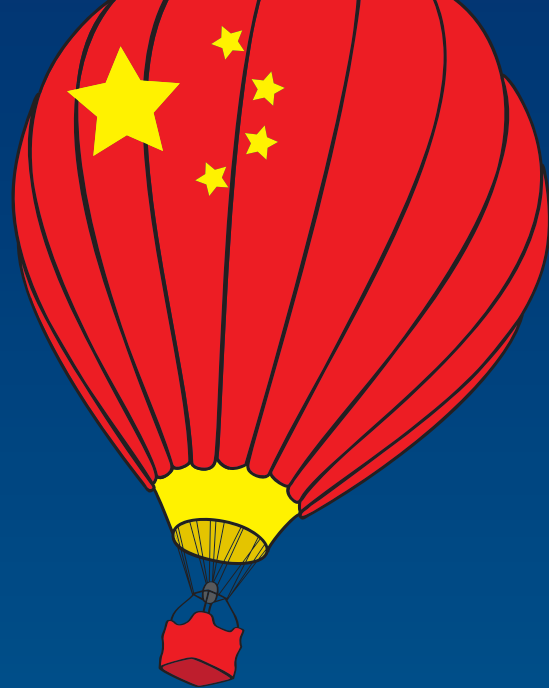
ECA (Country)	New Commitments	
	2016	2017
Sinosure (China)	375.2	412.8
K-sure	124.7	118.1
EDC (Canada)	60.5	57.2
NEXI (Japan)	52.9	51.4
ECGC (India)	39.8	39.8
EXIAR (Russia)	8.2	12.0
Euler Hermes (Germany)	12.0	10.8
EXIM (United States)	3.7	3.2
SACE (Italy)	2.2	1.0
Bpifrance (France)	0.6	0.8
UKEF (United Kingdom)	0.2	0.2
ABGF (Brazil)	0.0	0.0

Source: EXIM, bilateral engagement

SECTION 1

OVERVIEW OF EXPORT CREDIT AGENCIES AND THE STATE OF OFFICIAL EXPORT CREDIT IN 2017





The Global Financial Crisis (GFC) and European Debt Crisis fundamentally changed the official export credit landscape. Many ECAs, previously acting primarily as lenders of last resort, found themselves asked to take a more strategic role in a trade policy focused on using external demand as a major driver of domestic economic activity. This change has led, and continues to lead, ECAs to be more proactive in responding to business needs and connecting foreign buyers with domestic companies. At the same time, non-OECD ECAs such as China continue to provide significant volumes of highly flexible official export finance to support their exporters. These volumes impressed upon OECD ECAs the need to reconsider the nature and flexibility of their programs. The chapters that follow will:

- Provide an overview of the basic structure of the MLT ECA world and historical context that will help readers more fully understand the fundamental changes occurring today;
- Identify the key factors impacting the demand for and supply of official ECA financing in 2017; and
- Examine the MLT activity of the major global ECAs, with emphasis on trends in the primary types of activity.

A PRIMER ON EXPORT CREDIT

OVERVIEW

The Export-Import Bank of the United States was established in 1934, 15 years after the establishment of the world's first export credit agency in the United Kingdom. EXIM is an independent, self-sustaining executive branch agency with a mission to support American jobs through exports. EXIM provides a range of financing tools that help U.S. companies compete for global sales including export credit insurance, guarantees, and direct loans. EXIM only provides financing when the private sector is either unable or unwilling to provide financing (e.g., due to portfolio or regulatory considerations) or when U.S. exporters are facing foreign competition backed by official export credit support. EXIM requires that each transaction has a reasonable assurance of repayment and charges fees commensurate with the risk that the Bank assumes—it does not provide a subsidy. Any excess fees collected by the Bank are sent to the U.S. Treasury and assist in reducing the federal deficit. The Bank sent more than \$500 million per year, on average, to the Treasury during the last five years in which it was fully operational.

The Bank's programs and policies reflect the belief that the market should be the prime source of MLT export financing, with government reacting to fill gaps created by market failures or to respond to official financing competition. This reactive, gap-filling ECA model stands in stark contrast to the emerging proactive, "deal maker" ECA model that is prevalent in Asia, and, increasingly, in Europe. There has been a marked shift among EXIM's competitors away from the historically reactive lender of last resort role towards a much more strategic role that pursues broad economic benefits for the ECAs' home markets and protects national champions from foreign competition in emerging markets.

RULES GOVERNING OFFICIAL EXPORT CREDITS

EXIM's MLT programs follow the rules set out by the OECD Arrangement on Officially Supported Export Credits (the OECD Arrangement or the Arrangement). Originally agreed to in 1978, the Arrangement is a "Gentleman's Agreement" (so called because there are no penalties for not following the rules) that outlines specific terms and conditions for the provision of export credits. The Participants to the OECD Arrangement recognized that unbridled official export credit competition could lead to a "race to the bottom" in which buyers would make decisions based on the attractiveness of the financing (e.g., lowest available price, longest tenor, largest support package, etc.) rather than on the best commercial price and quality of the export.

The OECD Arrangement framework governs the provision of tied MLT export credits with a tenor (or repayment term) of greater than two years. An export is understood to be tied when an ECA's support is contingent upon at least some national procurement of goods and services from the ECA's country. Alternatively, some ECAs provide untied export credit support whereby the ECA provides financing not on the basis of national procurement but instead in the pursuit of some other national benefit. It is worth noting that the buyer could still choose to purchase from the ECA's home country, but doing so is not a prerequisite for support. Importantly, the Arrangement does not set parameters for the provision of untied export credits nor for official financing provided for equity. Thus, parties to the Arrangement using such programs are not breaking the rules; instead, these programs are simply outside the scope of the rules.

The Arrangement is a living document and has changed over time to reflect new competitive realities faced by Participants. However, non-OECD ECAs are not covered by these rules. In 2012, a bilateral initiative between the United States and China led to

the creation of the International Working Group. The goal of the International Working Group is to establish an international framework that maximizes the scope of a level playing field among all providers of MLT official export finance.

DEVELOPMENT FINANCE INSTITUTIONS (DFIS)

Starting in 2005, the Competitiveness Report has identified emerging issues in traditional ECA business in order to provide an early look at developments arising that may have an impact on U.S. exporter competitiveness in the future. Consistent with this commitment, this year's report identifies the emergence of a new player in the ECA marketplace—bilateral DFIs.

Bilateral DFIs are official government institutions that provide support to encourage private sector entities to do business in foreign markets for development purposes. While the support of DFIs is untied, many DFIs have “national interest” mandates or related initiatives aimed at supporting domestic companies. As more governments have recently introduced these entities, the scope and level of DFI activity has expanded for most of the past decade. Additionally, many DFIs currently operate in the same core markets and sectors as ECAs, often supporting commercially viable projects on market terms in middle-income countries. The Association of European Development Finance

Institutions reported in 2016 that the portfolio of the commitments of its 15 members more than tripled from 2005 to 2015 to reach approximately \$40 billion at the end of 2015. This figure does not include DFI activity from other major OECD and non-OECD countries outside of Europe. Moreover, according to OECD data on DFIs,⁶ more than 75 percent of OECD DFI exposure is in middle-income markets, which today include countries such as India, China, Brazil, Mexico, Indonesia, and Turkey, among others.⁷

With both DFIs and ECAs providing comparable types of products to similar recipients in overlapping markets, DFIs and ECAs are increasingly involved in the same transactions. As the increase in DFI activity is about inversely proportional to the decline in OECD ECA business in recent years, a question frequently arises as to the roles that DFIs and ECAs play in the market. As such, ECA practitioners are seeking to put into better focus the value that each of these types of agencies brings to the success of a project.

6 OECD data titled “Data visualisation on flows from bilateral DFIs” (last reporting year was 2013).

7 According to the OECD Development Assistance Committee's list of Official Development Assistance recipients (effective for reporting on 2018, 2019, and 2020 flows) to which some DFIs are restricted.

THE DIFFERENT TYPES OF ECAS

By today's count, there are a total of 110 export credit agencies or programs (including EXIM) providing some form of export credit support globally. Of these ECAs, only about half provide MLT products that could be considered competitive with those offered by EXIM. Most ECAs are operated as government agencies, although several private institutions operate export credit programs on behalf of their governments. Governments typically shape their ECAs based upon (1) domestic and trade policy goals, (2) the ability of commercial banks and insurers to provide export finance, and (3) the needs of domestic exporters. Significant variance in these attributes has led to a wide range of programs and mandates among ECAs, making simple point-to-point comparisons difficult. Moreover, the GFC triggered what is shaping up to be a "sea change" in the typical ECA stance in the market, moving from transaction-oriented, reactive, and gap-filling towards strategic, proactive, and flexible.

Although the array of ECA products and affiliated programs and agencies has mushroomed over the last decade, ECAs can generally be classified as being one of the following types: pure-cover, direct-lending, or a combination of both.⁸ For the purpose of analysis, ECAs can be further distilled into three groups based on the applicability of OECD rules to the programs that they operate:

1. OECD MEMBERS, OPERATING ONLY OECD-ARRANGEMENT MLT PROGRAMS:⁹

Group 1 consists of ECAs that provide only OECD Arrangement-compliant MLT insurance, guarantees, and direct loans. All transactions follow the transparency, pricing, and flexibilities outlined in the OECD Arrangement. EXIM is a member of this group.

2. OECD MEMBERS, OPERATING MLT PROGRAMS BOTH UNDER AND OUTSIDE THE OECD ARRANGEMENT:¹⁰

Group 2 consists of ECAs that are OECD members that have export credit programs both under and outside the Arrangement. An increasing number of ECAs have moved or are moving from Group 1 to Group 2 in order to support national strategies.

Examples of non-Arrangement products include market window, investment, and untied programs. In a market window program, an ECA offers pricing competitive with the commercial market. A market window does not necessarily result in lower financing costs compared with financing provided under the Arrangement. Market windows allow ECAs to have more flexibility on tenor, down payments, and fees because the transactions are not covered by the Arrangement.

In an investment financing program, an ECA provides support to a national investor seeking an equity stake in a company or project overseas. This activity is a form of untied support because it is not contingent upon procurement from a domestic company. However, investment support may influence sourcing decisions or play a role in the selection of an engineering, procurement, and construction (EPC) contractor.

⁸ A pure-cover ECA depends on commercial banks to fund exports and only provides insurance or guarantees against nonpayment. A direct-lending ECA lends directly to buyers for the purchase of goods and services from the ECA's country. Some ECAs, such as EXIM, can do both.

⁹ Examples of ECAs in Group 1 are: EKF (Denmark), Finnvera (Finland), Bpifrance (France), SERV (Switzerland), and EXIM (United States).

¹⁰ Examples of ECAs in Group 2 are: OeKB (Austria), Credendo (Belgium), EDC (Canada), Euler Hermes (Germany), SACE (Italy), JBIC and NEXI (Japan), KEXIM and K-sure (Korea), Atradius DSB (the Netherlands), GIEK (Norway), and EKN (Sweden).

In an untied financing program, an ECA provides debt financing that facilitates international trade, but for which procurement from the ECA's home country is not a prerequisite. The buyer is not prohibited from buying from the ECA's country, either. As a result, untied financing can still lead to procurement or a host of other benefits (e.g., access to the natural resources resulting from an ECA-funded project).

In addition to traditional untied programs, several ECAs are now operating what could be considered "pump-priming" programs. These "pump priming" programs include the "push" and "pull" loans operated by SACE (Italy) and EDC (Canada), respectively. While there are several ways such programs can be provided, in essence the ECAs identify foreign companies that are considered to have a high potential to import more from the ECA's country and offer these companies the equivalent of a line of credit unrelated to any specific case or project. The only "ask" is that the company be open to marketing and matchmaking (more details are available in Chapter 6).

Additionally, some ECAs offer domestic support to expand domestic company exports or to attract foreign investors to establish an export hub. For example, GIEK (Norway) launched a new program in 2017, under which it will provide a guarantee to a commercial bank that is loaning funds to a non-Norwegian company to make an investment in Norway, as long as that investment leads to expanded export capacity.

3. NON-OECD ECAS OR OECD COUNTRIES NOT PARTICIPATING IN THE OECD ARRANGEMENT:¹¹

The final group consists entirely of ECAs that operate officially outside of the OECD Arrangement. As a result, this group of ECAs has the highest degree of flexibility. Many of these ECAs operate programs that are largely (or entirely) in line with the framework outlined by the Arrangement. However, these ECAs can (and do) offer support that is quite different from Arrangement standards as well.

In 2017, the changing stance of ECAs in the market was accompanied by ever-wider participation in the export credit arena by many other suppliers of export finance. Some of these suppliers represented the commercial market and are developing boutique roles, e.g., Marsh's AFIC. Some (e.g., private insurers) are responding to new opportunities in the post-GFC world. The latest entrants, DFIs, are reacting to expanded mandates. These various suppliers now appear to be jockeying for position (sometimes competing, other times complementing each other's activities). Future editions of the Competitiveness Report will attempt to more closely track the relative size of each market player, their roles, and the nature of the interplay among them.

¹¹ Examples of ECAs in Group 3 are: BNDES and ABGF (Brazil), CEXIM and Sinosure (China), I-Eximbank and ECGC (India), Ashra (Israel), Bancomext (Mexico), EXIAR (Russia), EFIC (South Africa), and Turk Exim (Turkey). For reference, Brazil is a member of the OECD Arrangement's Aircraft Sector Understanding. Israel, Mexico, and Turkey are OECD members but are not Participants to the Arrangement.

THE STATE OF EXPORT FINANCE IN 2017

OVERVIEW

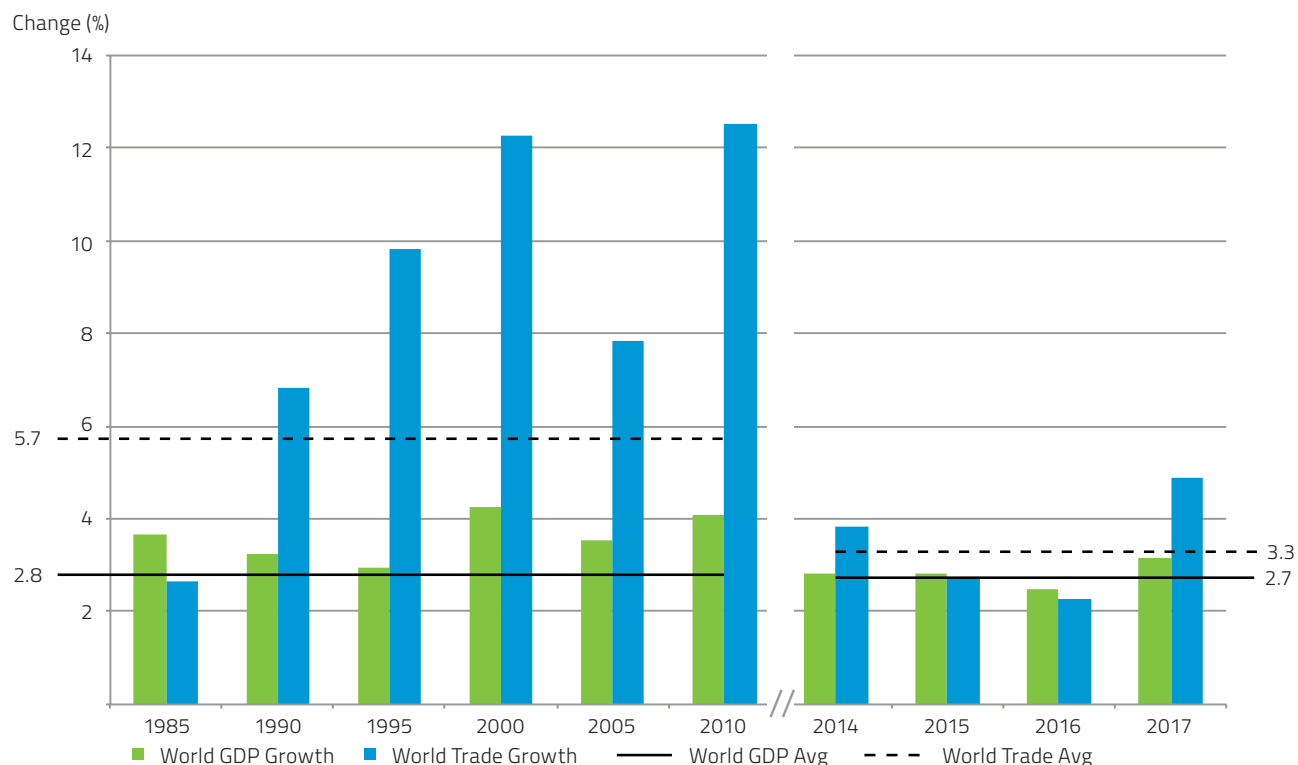
A confluence of macroeconomic and geopolitical factors has resulted in an export credit landscape that is increasingly characterized by competition for large, strategically important projects (e.g., in sectors such as aerospace, cruise ships, rail, and power) among exporters—often in riskier middle-income markets in which the private sector is reluctant to participate without ECA cover. These exporters are, in turn, seeking export financing support from an expanding and increasingly diverse group of export finance suppliers such as commercial banks, private insurers (including specialized providers like AFIC), and ECAs. The supply and demand of these actors, coupled with macroeconomic conditions, dictates the scale and distribution of export finance in a given year.

"Today, in an increasing number of countries... [the efforts of ECAs and exporters to win project orders] ...are intensifying the competition within the international market, while the size, complexity, and term length of transactions handled by Japanese companies are increasing."

—Kazuhiko Bando, CEO of NEXI, Japan

In 2017, the financing market remained very liquid despite the central banks in the United States and Europe slowly scaling down monetary easing in response to widespread global growth and moderately rising inflation. Capital that flooded into boutique financial markets like private insurance in previous years in a "search for yield" kept coming.

FIGURE 2: Historical World Trade and World GDP Growth*



* GDP growth measured at constant prices at market exchange rates. Trade refers to imports of goods and services. Averages for 1985–2011 and 2012–2017.

Source: IMF World Economic Outlook

At the same time, world trade growth rebounded considerably in 2017, jumping from 2.27 percent to 4.89 percent. World GDP growth also ticked up from 2.47 percent in 2016 to 3.17 percent last year. Overall, however, there has not been a return to the pre-crisis trend of trade growing at twice the rate of GDP, as shown in Figure 2.

DEMAND AND SUPPLY OF EXPORT FINANCE

DEMAND FOR MLT EXPORT FINANCE

Demand from many of the largest users of export finance remained strong in 2017. Cruise ship orders reached a new record high, up slightly from last year. There was significant demand for aircraft, with large orders placed at both Boeing and Airbus and record deliveries. The oil and gas industry also saw a return to strong demand as oil prices moved up from approximately \$50 a barrel at the beginning of the year to roughly \$60 by the end. Wood Mackenzie, an energy consultancy, estimates that twice as many upstream investment decisions were made in 2017 than were made in 2016, although the average size of investment shrunk.

In terms of regional demand, the Middle East continued to be a large driver of export finance demand. Many Gulf Cooperation Council states continued to face budget deficits and needed to broaden their financial toolkits as a result.

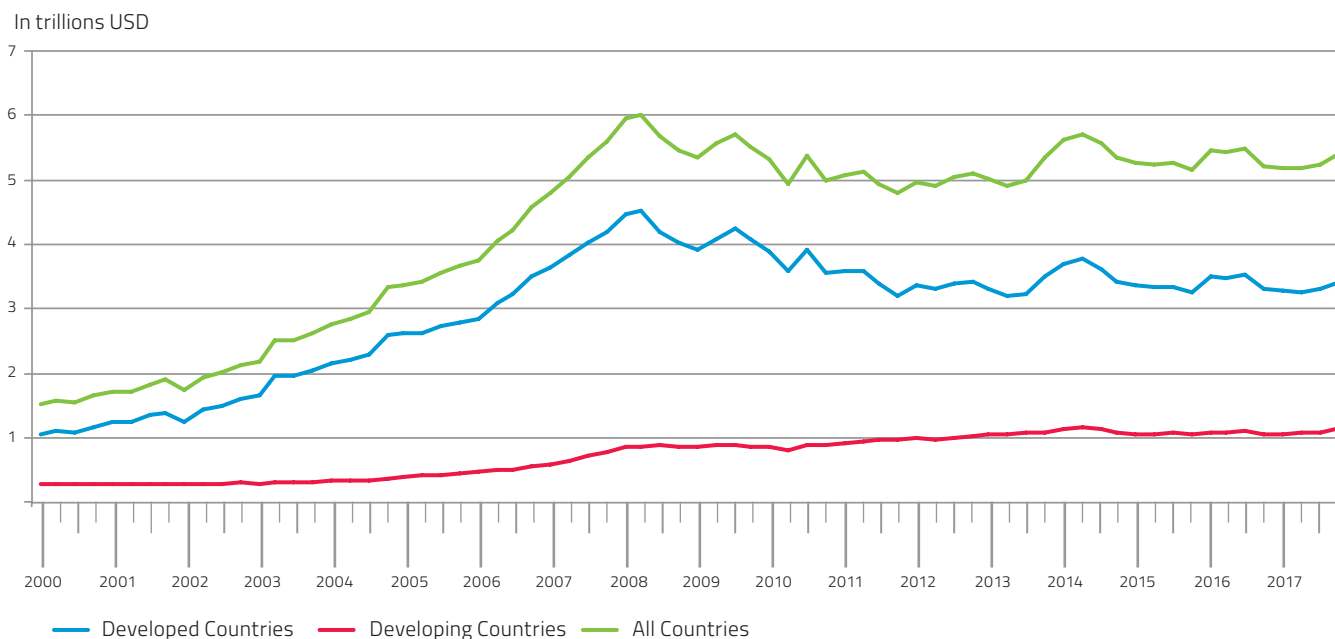
Using trade in capital goods as a barometer, overall demand for MLT export credit in 2017 was some 20 percent higher than prior to the GFC.

SUPPLY OF MLT EXPORT FINANCE

Despite ample market liquidity and increasing demand over the last decade, commercial banks do not appear to have responded by supplying more cross-border finance. Figure 3 shows that commercial bank cross-border lending to borrowers worldwide has been essentially flat over the past decade. Given the aforementioned increase in demand over the decade, it appears that a gap may have emerged between the world's demand for MLT export credit and the trends in commercial bank MLT lending.

Banks reported that the major factors in their declining role in financing the LT capital goods trade

FIGURE 3: International Claims by Counterparty for Maturities of Two Years or More



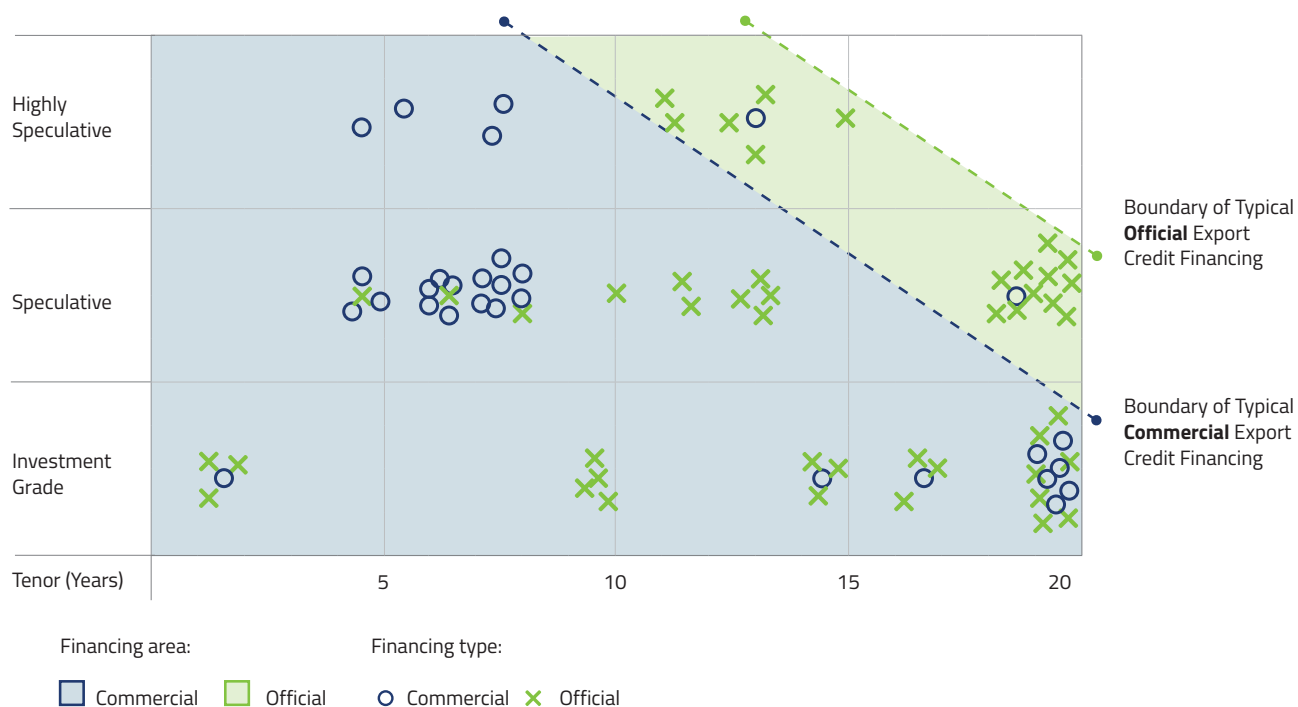
Source: Bank for International Settlements

includes regulatory factors such as Basel III, KYC, and AML rules. In general, banks assert that Basel III's liquidity ratios discourage term lending while the leverage ratio discourages lending for export finance, which historically has had low default rates. At the same time, KYC and AML regulations have had the unintended consequence of shrinking banking networks and access to finance in emerging markets—meaning that often commercial banks are not willing to bear the due diligence costs or reputational risk from doing business in these countries, limiting export finance to more financially accessible markets.¹² According to the IMF, the additional fixed costs associated with KYC and AML may limit small and medium-sized enterprises' (SMEs) access to global banking by making small-ticket transactions relatively more expensive.

Hence, to support the MLT export financing needs of their customers, commercial banks have turned to official export finance to handle transactions with greater volume, tenor, or risk elements.

Figure 4 roughly illustrates how commercial banks and official providers have evolved into a complementary pattern of finance in today's regulatory environment. Commercial lenders are only willing to provide export finance on 7- to 10-year terms in riskier jurisdictions, while they are willing to lend at longer tenors—even out to 20 years—in less risky markets. Official government suppliers dominate the export finance market on 10- to 15-year terms for non-investment grade markets.

FIGURE 4: 2017 TXF Lender Data for Deals with Official and Commercial Tranches



Note: "Clustering" shows both commercial banks and official financing on the same case. All transactions shown here have at least one official tranche (consisting of a guaranteed loan, direct loan, or state funding vehicle) and one commercial tranche (with a private-sector lender), and closed in CY2017 (excludes Category 0 countries, as defined by the OECD, and transactions where the country is in default).

Source: TXF Data

12 According to the Financial Stability Board, correspondent banking relationships contracted by 7.9 percent between 2011 and the middle of 2017. More information is available at <http://www.fsb.org/wp-content/uploads/P060318.pdf>.

Private insurance continues to play an expanding role in the market with its ever-greater capability to provide comprehensive nonpayment cover—a product mostly used by commercial banks to mitigate credit risk for transactions that they would otherwise be willing to fund. For example, Marsh introduced an aircraft nonpayment insurance product through AFIC, which has added over \$1 billion to the aircraft finance market just in 2017.

OTHER GEOPOLITICAL FACTORS IMPACTING EXPORT FINANCE

CHINA

The last key factor at play in today's export credit landscape is the acute pressure applied by China's export credit system on the major ECA systems around the world. The Chinese system is especially potent for the following reasons:

1. China is not party to the OECD Arrangement or other export credit rules and is thus able to operate maximally flexible programs in line with national priorities;
2. It is the largest MLT export credit system globally by volume, but no full accounting of the scope and scale of activity exists outside of China due to a lack of transparency; and
3. The Chinese government directs official financing support and state-owned exporters to prioritize regions and industries through government-led efforts such as the Belt and Road Initiative (BRI),¹³ the 16+1 Initiative,¹⁴ and Made in China 2025.¹⁵

OECD ECAs—faced with a competing system that is not bound by rules, has a scale many times greater, operates in a non-transparent manner, and is directed to target specific industries in line with government policy—have been forced to adapt their own systems in order to protect their national interests. How exactly each country and its respective ECA has elected to respond to China, and increasingly to each other, is covered in Chapters 5 and 6.

¹³ The Belt and Road Initiative (formerly One Belt, One Road) is a Chinese infrastructure investment plan that Chinese officials estimate will exceed \$1 trillion. It includes two parts, an overland "Belt" and a maritime "Road" that aims to connect approximately 70 countries in Africa, Asia, and Europe. The list of countries and regions associated with BRI remains fluid.

¹⁴ The 16+1 Initiative is a Chinese initiative to expand cooperation with 16 Central and Eastern European countries that began in 2012.

¹⁵ Made in China 2025 refers to a Chinese government-led initiative to move Chinese producers in priority sectors up the global value chain by 2025. Key sectors identified in the program include aeronautics, advanced information technology, new materials, and high-tech shipping, among others.

OFFICIAL MEDIUM-AND LONG-TERM EXPORT CREDIT ACTIVITY

OVERVIEW

In 2017, total OECD Arrangement-compliant MLT activity fell for the fourth consecutive year in spite of significant global economic and trade growth. ECA activity and overall performance continued to be driven by large, one-off transactions—the loss or delay of any one of which would drastically swing the pendulum from a record-breaking year to multi-year lows. Furthermore, OECD ECAs provided limited support last year for large aircraft due to EXIM’s absence from the LT market and a decision by the ECAs of Germany, France, and the United Kingdom to suspend support for Airbus due to an investigation by the U.K. Serious Fraud Office.

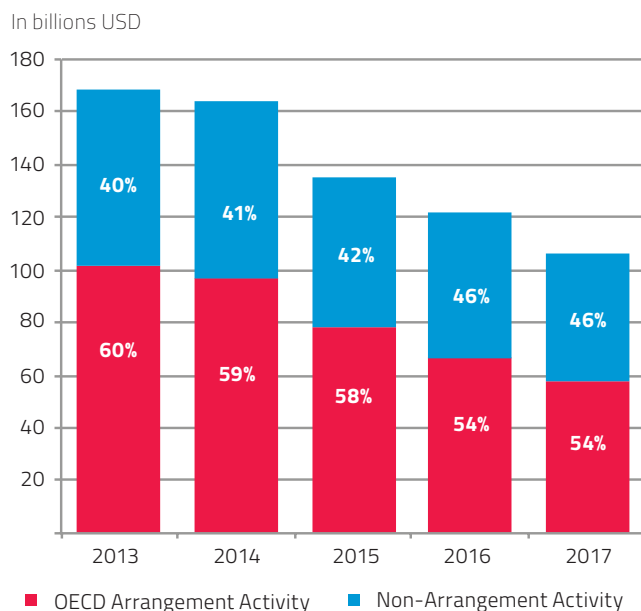
The decline in OECD ECA support contributed significantly to the continued drop in the share of global official MLT export credit activity done under the rules of the OECD Arrangement. Between 2011 and 2017, OECD Arrangement activity as a percentage of total trade-related official MLT support has fallen from more than 50 percent to 27 percent. China’s sustained provision of large volumes of non-OECD export credit, India’s emergence as a significant player in the official export finance space, and the shift among some OECD ECAs towards predominantly non-Arrangement support are other drivers of this shift.

OECD ARRANGEMENT MLT ACTIVITY

Total MLT official export credits provided under the rules of the OECD Arrangement in 2017 fell below \$60 billion for the first time since EXIM expanded its analysis to include non-G7 countries in 2012 (Figure 5). Importantly, EXIM was absent from the LT market for the second straight year, likely making the decline in activity more pronounced.¹⁶ Only Finland saw significant growth during the year, largely on the back of support for large corporates in the shipbuilding, shipping, and telecommunications sectors. On a year-on-year basis, Finland’s MLT export credit volume jumped from \$1.1 billion to \$5.5 billion (+400 percent). Japan (+21 percent) and Korea (+7 percent) also saw modest increases. EXIM activity increased from \$172 million to \$220 million (+28 percent). Most other ECAs saw declining business volumes under the Arrangement. Sweden (–61 percent), Norway (–49 percent), and the United Kingdom (–46 percent) experienced the biggest declines on a percentage basis.

¹⁶ In the last five years that EXIM was fully operational for at least part of the year (2011–2015), the Bank averaged \$16.9 billion in new MLT authorizations per year.

FIGURE 5: Arrangement vs. Non-Arrangement Activity by Participants to the OECD Arrangement



Source: *Bilateral engagement*

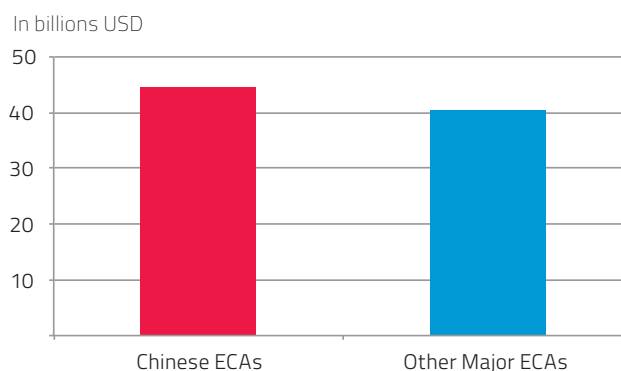
BRAZIL, RUSSIA, INDIA, CHINA, SOUTH AFRICA (BRICS) MLT EXPORT CREDIT ACTIVITY

Activity among BRICS countries includes both some financing provided on terms generally consistent with the Arrangement (where ECAs often apply the Arrangement but are not Participants) and some financing provided on non-Arrangement terms. In total, however, BRICS activity ticked up some \$3 billion to approximately \$50 billion in 2017, driven by growth in Chinese and Indian ECA activity. China was once again the world's largest provider of MLT export credits at \$36.3 billion—one-third the global MLT export credit total.¹⁷ India's ECA activity grew from \$6.2 billion to \$9.7 billion (+56 percent).¹⁸ Russian, Brazilian, and South African activity fell during the year.

INVESTMENT, MARKET WINDOW, AND UNTIED SUPPORT

As shown in Figure 6, the Chinese ECAs provided more MLT investment support than the rest of the world combined at nearly \$45 billion. Among OECD ECAs, EDC (Canada), NEXI and JBIC (Japan), KEXIM and K-sure (Korea), and Euler Hermes (Germany) provided more than \$35 billion in investment support, representing the vast majority of OECD investment support.

FIGURE 6: Comparison of Global Trade-Related Investment Support – Chinese ECAs vis-à-vis Other Major ECAs, 2017



Source: *EXIM, bilateral engagement, Berne Union, annual reports*

EDC (Canada) was the main provider of market window support (\$2.7 billion) in 2017. With regards to untied support, the ECAs from China, Japan, and Korea provided total volumes largely consistent with previous years. Activity among non-Asian ECAs increased from approximately \$7.3 billion in 2016 to \$8.2 billion in 2017.

¹⁷ Chinese MLT figures are composed of CEXIM's Buyer's and Seller's Credit programs and Sinosure's MLT activity. Due to a lack of transparency associated with their data, Chinese figures should be considered conservative estimates, subject to revision.

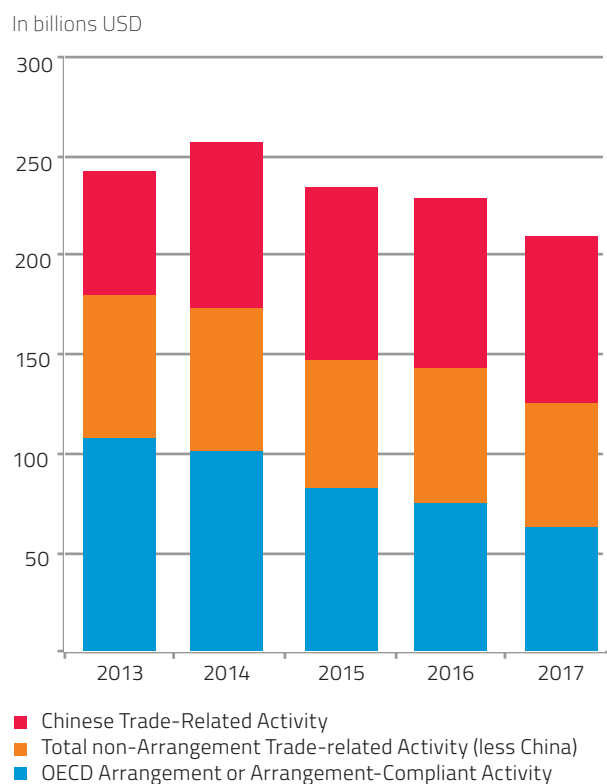
¹⁸ Indian activity includes ECGC's activity as reported to the Berne Union (an association of public and private export credit providers of which EXIM is a member) and an estimate of the Export-Import Bank of India's activity based on specific loans and projects referenced in their published materials.

TOTAL TRADE-RELATED SUPPORT

Figure 7 shows that total official trade-related MLT support fell in 2017 to approximately \$211 billion. As described in the preceding paragraphs, most ECAs saw relatively flat or slightly decreased activity across their whole range of programs, with some exceptions like China and Finland. It is important to note the following about the ECA MLT export credit trends in activity:

1. EXIM was not able to operate its LT program in both 2016 and 2017.
2. There was minimal support for large commercial aircraft because the Airbus ECAs (UKEF, Bpifrance, and Euler Hermes) elected to temporarily suspend providing export credits to Airbus due to an ongoing investigation by the U.K. Serious Fraud Office.
3. Based on additional information about CEXIM's (China) seller's credit activity, EXIM adjusted downwards its estimate of CEXIM activity for 2013 through 2016.

FIGURE 7: Total Official Trade-Related Support



Source: EXIM, bilateral engagement, Berne Union, annual reports

CHINESE OFFICIAL EXPORT FINANCING

China formally recognizes two official export credit agencies: Sinosure, which provides short-, medium-, and long-term insurance; and the Export-Import Bank of China (CEXIM), which provides MLT financing. Although not included in the “core” MLT activity presented in this report, EXIM estimates that China Development Bank also provides approximately \$10 billion a year in MLT financing support that strongly resembles official export credits, in addition to large, multibillion-dollar lines of credit.

EXIM’s charter requires that it estimate the scale of activity from all major ECAs to the greatest extent possible. Each year, EXIM estimates total Chinese MLT official export finance volumes based on the aggregation of Sinosure’s activity, as reported to international organizations of which it is a member, and estimates of CEXIM’s activity based on both EXIM’s own open-source research and the CEXIM annual reports (as CEXIM is not party to any international transparency frameworks). EXIM shares its annual findings with CEXIM, but to this point the Chinese ECA has declined to provide comments.¹⁹

1. Buyer’s Credits: CEXIM’s Buyer’s Credit program has terms provided to overseas buyers that are similar to those prescribed in the OECD Arrangement. Therefore, EXIM includes this program as part of its official MLT estimate. According to EXIM’s research, new commitments under the Buyer’s Credit program amounted to approximately \$10 billion in 2017. It should be noted that due to the nature of EXIM’s calculations, this represents a conservative estimate of total activity.

2. Seller’s Credits: Information CEXIM provided to EXIM and data in CEXIM’s annual reports suggest that a significant portion of China’s \$20 billion of seller’s credits are short-term in nature. Based on exposure figures from their annual reports and corroborating evidence from other sources, CEXIM’s MLT seller’s credits in 2017 are estimated to be \$2.5 billion.

3. Investment Support: Using trends in Sinosure’s investment support as a guide, EXIM estimates that CEXIM’s investment activity for 2017 was approximately \$7.6 billion.

4. Preferential Loans: CEXIM operates two MLT preferential loan programs that EXIM has not included in the “core” Chinese activity but which clearly have competitiveness implications for U.S. exporters. According to documents translated by EXIM, these programs are designed to provide more attractive financing terms than are available under the Arrangement but which are significantly less concessional than OECD tied aid.

Financing from these programs is sporadically offered alongside MLT buyer’s credits (more information on these programs is available in Chapter 6). EXIM estimates that CEXIM provided approximately \$22 billion in preferential loans in 2017.

The prevalence of Chinese ECA financing has spurred other ECAs, beginning with those in Asia but in 2017 rapidly expanding to include those in Europe, to introduce or adjust programs and policies in order to address—or to get in front of—the nature and scale of this competition.

THE BELT AND ROAD INITIATIVE (FORMERLY ONE BELT, ONE ROAD)

In 2017, the Belt and Road Initiative (BRI) was enshrined in the Communist Party Constitution, ensuring that it draws continuous support from Chinese institutions. As two of the primary entities supporting BRI, Sinosure and CEXIM are expected to continue providing significant volumes of official export credit in order to ease domestic oversupply and to help Chinese companies gain international experience and move up global value chains as outlined in China’s Made in China 2025 plan. According to Sinosure, it has provided more than \$510 billion dollars in insurance to BRI projects since 2013. According to EXIM’s analysis of publicly available sources, EXIM estimates that more than 40 percent of CEXIM’s 2017 export credit activity and more than 80 percent of CEXIM’s preferential loan activity were in BRI countries.

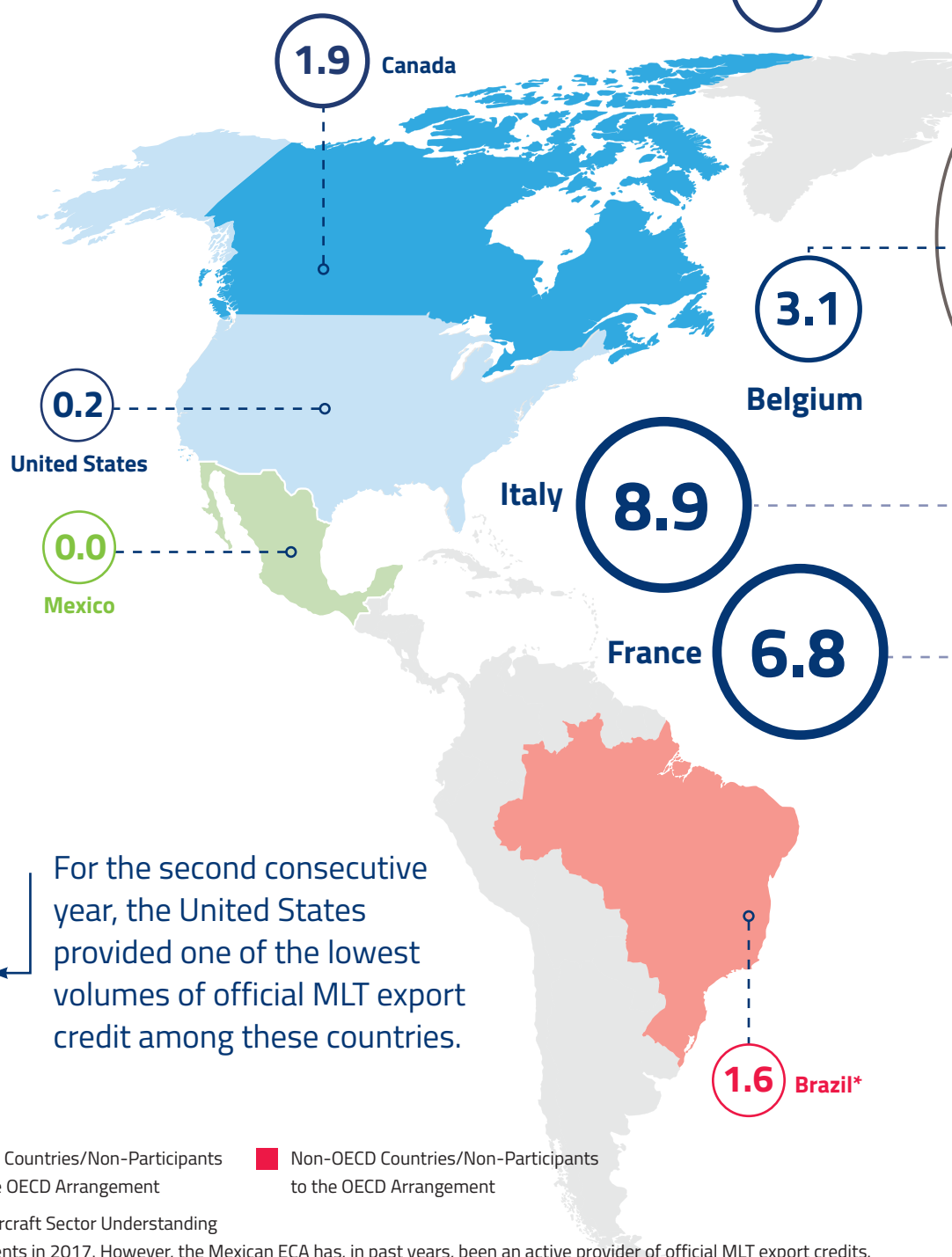
¹⁹ Unlike in 2016, the 2017 CEXIM Annual Report was not published in time for inclusion in the Competitiveness Report. As a result, EXIM could not corroborate its estimates with data provided by CEXIM and therefore had to estimate Chinese activity based on open-source research, previous annual reports, and trends in Sinosure’s activity.

NEW MAJOR MEDIUM- AND LONG-TERM OFFICIAL EXPORT CREDIT VOLUMES

In billions USD

1	China	36.3
2	India	9.7
3	Italy	8.9
4	Korea	7.9
5	Germany	7.0
6	France	6.8
7	Finland	5.5
8	Belgium	3.1
9	Netherlands	2.4
10	United Kingdom	2.1
11	Japan	2.0
12	Sweden	1.9
13	Canada	1.9
14	Denmark	1.8
15	Brazil*	1.6
16	Spain	1.5
17	South Africa	1.2
18	Switzerland	1.0
19	Russia	1.0
20	Norway	0.9
21	Israel	0.8
22	Austria	0.8
23	Hungary	0.6
24	Turkey	0.5
25	United States	0.2
26	Australia	0.1
27	Mexico**	0.0
--	Other OECD***	1.4

In 2017, 26 countries provided noteworthy levels of export credit for MLT transactions.

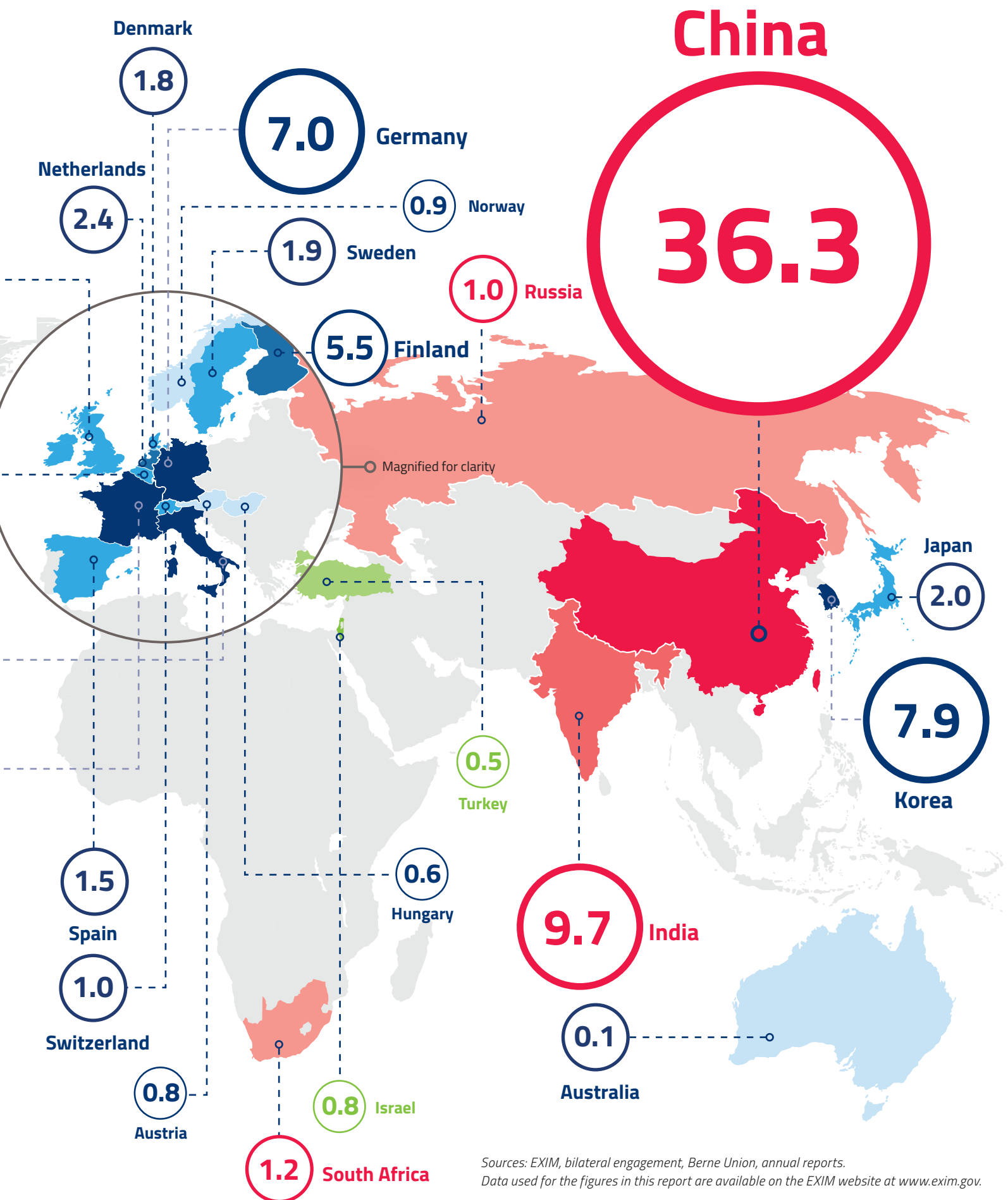


■ OECD Countries/Participants to the OECD Arrangement
 ■ OECD Countries/Non-Participants to the OECD Arrangement
 ■ Non-OECD Countries/Non-Participants to the OECD Arrangement

* Participant to the OECD Arrangement's Aircraft Sector Understanding

** Mexico reported zero new MLT commitments in 2017. However, the Mexican ECA has, in past years, been an active provider of official MLT export credits.

*** Other OECD includes Portugal, Czech Republic, Slovakia, Luxembourg, Slovenia, and Poland.



Sources: EXIM, bilateral engagement, Berne Union, annual reports.
Data used for the figures in this report are available on the EXIM website at www.exim.gov.



SECTION 2

THE “WEAPONIZATION” OF EXPORT FINANCE



“As our secretary of state, Liam Fox, has said, our vision is of a UK that can trade its way to prosperity, stability and security.”

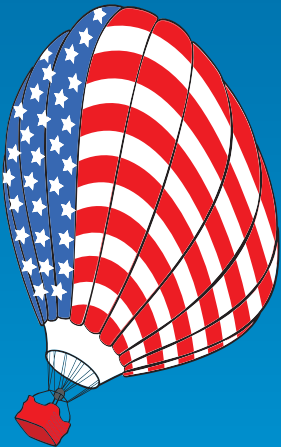
—Baroness Rona Fairhead, Minister for Trade and Export Promotion, United Kingdom

“This government is putting export finance at the heart of trade promotion...”

—Right Honorable Greg Hands, Minister for International Trade, United Kingdom

“UK Export Finance is providing support for British business that’s more relevant, more accessible and on a greater scale than ever before. From innovations that make it easier for the UK’s SMEs to sell overseas, to bringing export opportunities to the UK supply chain, UKEF is helping to secure billions of pounds of business for hard-working UK companies.”

—Right Honorable Greg Hands, Minister for International Trade, United Kingdom





Domestic export industries are of strategic importance to governments around the world. Following the GFC, many governments turned to exports and exporters to drive national growth given the exhaustion of the fiscal and monetary policy options that dominated macroeconomic management prior to the GFC. In this environment, ECAs have been repeatedly identified as a central tool for achieving export-related national goals, as evidenced in the quotes on the left. This strategic connection between ECAs and economic goals can be characterized as the “weaponization” of export finance—the shift among foreign ECAs from their traditional role as reactive lenders of last resort to a new role as proactive, aggressive organizations structured and equipped to achieve national policy aims. In particular, ECAs are being asked by their governments to:

1. Support national champions facing heavy international competition for large infrastructure projects in order to sustain domestic employment and prevent the hollowing-out of domestic supply chains;
2. Ensure the competitiveness and viability of exporters in industries deemed to be of strategic importance (e.g., nuclear power, aerospace, rail);
3. Entice multinational corporations with the ability to manufacture key components globally to utilize more domestic suppliers, either on a single transaction or over time in order to receive and maintain access to support; and
4. Introduce products or strategies that improve the export readiness of supply chains and spur SME exports.

"We're also better placed to help companies of all sizes find growth through avenues like direct investment abroad and foreign affiliate sales, and by finding new connections and gateways to major global supply chains."

—Benoit Daignault, CEO of EDC, Canada

"The supply chains of global companies like GE are critical to Canada's exporting story, because smaller Canadian companies have the opportunity to grow alongside GE as it extends its reach into global markets. An important part of EDC's job is to match the right global Canadian companies with the right supply chains, and these introductions [business-to-business matchmaking sessions] are instrumental in creating valuable business opportunities for both parties."

—Mairead Lavery, Senior Vice President for Business Development at EDC, Canada

"Weaponization" has not occurred uniformly across ECAs due to country-specific factors including the size and composition of the industrial base, philosophical differences regarding the relative importance of labor versus capital, and national and regulatory constraints. For example, EKN (Sweden) has elected to adjust its content policy in recognition

that significant manufacturing now occurs outside Sweden's borders. Meanwhile, JBIC and NEXI (Japan) provide large volumes of overseas investment financing as part of a system that prioritizes capital productivity over labor promotion. The Japanese ECA system is built on the premise that Japanese firms will maximize both the direct and indirect benefits accruing to Japan. Finally, EDC (Canada) is mandated to support and develop the Canadian export trade, providing it broader authority than some other ECAs. Nevertheless, the use of, or response to, "weaponization" is one of the dominant strategic issues within the ECA world.

A critical point to emphasize about "weaponization" is that it is about non-financial aspects of ECAs and ECA intent rather than about offered financial incentives. "Weaponization" has not led to a financial race to the bottom. Instead, ECAs are competing on the bases of proactive aggressiveness and flexibility (e.g., balancing risk with domestic content). As "proactive" and "flexible" are two defining aspects of "weaponization," the next two sections examine in some detail how various ECAs are oriented around one or both of these poles.

SACE

SACE (Italy) has been perhaps the most vocal ECA with regards to its aim to be both proactive and flexible. Following the GFC and subsequent slowdown in Italian economic growth, the Italian government laid out clear economic and industrial priorities. Among these aims, the internationalization of Italian companies, particularly smaller supply chain companies with underutilized capacity to export (referred to as "mini-multinationals"), was given precedence. SACE was identified by the Italian government as a centerpiece in this strategy.

In the last several years, SACE has introduced its "push" loan (as a means of introducing foreign buyers to Italian supply-chain companies), opened its ninth global office, adjusted its content policy from requiring 70 percent Italian content to requiring only Italian "national interest," and further enmeshed SACE in whole-of-government trade efforts. To support its expanded aims, SACE has increased the size of its staff from 546 employees prior

to the GFC to 912 employees in 2018. These shifts are further reflected in SACE's MLT activity that averaged \$5.5 billion between 2012 and 2015 but has averaged \$9.6 billion over the last two years. Over the same period, SACE has been recognized as the "Best Export Credit Agency" by Trade and Export Finance and the best ECA in Europe by Trade Finance Magazine.

"An ongoing, key aspect of the government's strategy is the support to the internationalization process."

—Ministry of the Economy and Finance, Italy

"...and we now understand that exporting is the only—or at least the fastest—way to fuel growth. That's why at SACE we feel a responsibility to do everything we can, including becoming more proactive."

—Alessandro Decio, CEO of SACE, Italy

PROACTIVE EXPORT CREDIT AGENCIES

OVERVIEW

EXIM is a demand-driven lender of last resort. That is, applicants bring transactions to the Bank when the commercial market is unable or unwilling to provide support or when foreign competitors are receiving official export credit support and EXIM is needed to level the playing field. This defensive, reactive stance was fairly standard among ECAs for the approximately 35 years prior to the GFC. Since then, it is no longer standard among most of EXIM's competitors around the world. As illustrated in the quotes below from three leading ECAs, a growing number of ECAs and their governments have chosen a proactive approach that puts export finance at the center of trade policy and which has ECAs seeking out transactions, putting a financing package in place, and then identifying ways to maximize the number of domestic suppliers or exporters involved.

***"It's not a matter of product, but it's a matter of commercial approach. And what I think has proven to be very successful is the fact that we are becoming more and more PROACTIVE."** (emphasis added)*
—Alessandro Decio, CEO of SACE, Italy

*"So we need to be helping customers win bids, not just to fulfill contracts once they have been won, and that involves us being a little bit more **PROACTIVE**. That means getting in touch with people at an early stage when they are bidding for things, rather than being a kind of lender of last resort and waiting for them to come to us. That just isn't going to cut it." (emphasis added)*

—Louis Taylor, CEO of UKEF, United Kingdom

*"In 2017 again, as a flagship policy finance institution of Korea, K-sure will continue its **PROACTIVE** funding for Korean companies to assist their successful global business in the overseas project market." (emphasis added)*

—Moon Jae-do, Chairman and President of K-sure, South Korea

THE EXPANDED ROLE AND SCALE OF EXPORT FINANCE

Governments have integrated ECAs into national strategies and called on them to be more proactive to ensure that programs are in place to maintain and increase export flows from their markets. As a result, the competitive environment is now more complex, with a multiplicity of export promotion programs and policies adopted by foreign ECAs during EXIM's absence from the LT market.

For instance, China added the Belt and Road Initiative (BRI) to the Communist Party Constitution in 2017, and, according to Sinosure, it has provided export and investment insurance totaling approximately \$510 billion to BRI-related projects since its launch in 2013. This change to the constitution guarantees that CEXIM and Sinosure will continue to play a substantial role in Chinese foreign economic policy moving forward.

Following the Brexit vote in 2016, the government of the United Kingdom created the Department for International Trade (DIT) in recognition that exports would play an increased role in the British economy. According to the U.K. National Audit Office, "UKEF became a key part of its [DIT] strategy and reports directly to the Secretary of State for International Trade, and UKEF staff are embedded in all DIT's high-value exporting campaigns." The U.K. government doubled UKEF's risk appetite per country from £2.5 billion (\$3 billion) to £5.0 billion (\$6 billion) as was detailed in the 2016 Competitiveness Report. UKEF can now also provide financing in 62 local currencies, up from 43 currencies in late 2016 and 15 currencies in 2010.

SACE (Italy) was tasked by the Italian government to drive the internationalization of a new generation of Italian exporters. In 2017, SACE introduced a "push" loan, a product similar in style and substance to EDC's (Canada) "pull" loan. Under the "push" program, SACE offers what is effectively a line of credit not tied to

any particular transaction or project. All that the buyer need agree to is to be open to marketing from and matchmaking with Italian suppliers.

“The plan [SACE’s 2016-2020 business plan] calls for a significant increase in the resources mobilized and a new service model to support exporting companies—unique in Europe for the breadth of its services and margin for action—to provide stronger support in high-potential markets and sectors strategic to Italian industry.”

—SACE, Italy

Germany introduced a strategic plan that includes deeper government-wide coordination and enhanced financing tools for projects of German strategic interest. This strategy is intended to protect German exporters from unregulated official export financing provided primarily, but not exclusively, by the Asian ECAs. Additionally, Euler Hermes (Germany) has had its exposure limit increased multiple times over the last seven years—from €120 billion (\$135 billion) in 2010 to its current level of €160 billion (\$180 billion).

The French government transferred the French State guarantee from Coface to Bpifrance at the beginning of 2017. The transfer allows Bpifrance to offer a direct guarantee on behalf of the French state. Bpifrance’s extensive network will allow the state guarantee to be marketed to a wider range of companies and reflects the French emphasis on SME support.

In a speech in May 2015, Prime Minister Shinzo Abe of Japan launched the Partnership for Quality Infrastructure (PQI) by calling on Japan to push for the export of innovative products such as high-speed rail and “. . . to play a major role with regards to finance as well.” PQI originally aimed to support \$110 billion in infrastructure between 2015 and 2020 through a variety of institutions, specifically JBIC, the Japan International Cooperation Agency, and the Asian Development Bank. The following year,

Prime Minister Abe expanded PQI to \$200 billion and called for NEXI (Japan) to be included. As part of PQI, JBIC was asked to double the amount of funding it provided to projects with relatively high-risk profiles. In 2017, NEXI (Japan) was transitioned into a special stock company in order to more effectively support Japanese businesses competing overseas.

“This transformation [into a special stock company owned by the Japanese Government] has been made with the aim to enhance NEXI’s functions to support Japanese exports and overseas businesses more efficiently and effectively in line with the government policy.”

—Kazuhiko Bando, CEO of NEXI

In addition to changes among the G7 and Chinese ECAs, other OECD ECAs have laid the groundwork to be more proactive.

Changes at Finnvera (Finland), including new limits of €27 billion (\$30 billion) for guarantees and €22 billion (\$25 billion) for export credits, took effect at the beginning of 2017.

According to EKF (Denmark), its 2016 transformation to an independent public company has been interpreted as laying the groundwork for a more proactive stance, allowing EKF to more easily adapt to changes in the market and provide necessary financing tools.

ECA financing has also been connected to aims as disparate as securing initial public offerings in 2017. Both JBIC (Japan) and UKEF (United Kingdom) were reported to be in contact with Saudi Aramco regarding multibillion-dollar loans. Major news outlets reported these loans as potentially being used to lure the Saudi company to hold its initial public offering on either the Tokyo or London stock exchanges.

THE USE OF EXPORT CREDIT TO TARGET STRATEGIC INDUSTRIES

Foreign governments use export credit to help exporters in strategic industries. In these industries, ECAs are asked to play an even more prominent role in helping exporters fend off foreign competition, in mitigating risks associated with entering new markets, and in providing financing so that exporters can develop international expertise.

According to the Financial Times, Chinese companies involved in network equipment manufacturing related to 5G networks are receiving significant support from the Chinese ECAs as part of Made in China 2025. The Atlantic Council, a U.S. think tank, highlights similar efforts being made by both the Chinese and Russian ECAs in support of nuclear power.

A project sponsor currently working on a large infrastructure transaction with U.S. and foreign ECAs in the Middle East reported that the Chinese had offered debt and mezzanine financing support to build strategic assets, where, in the event of a default, China could take control of the plant. As an example, Sri Lanka's inability to pay debts associated with a CEXIM loan led to China's controlling stake and 99-year lease of Hambantota Port.

Furthermore, The Jamestown Foundation highlights the role export financing has played in the shipping industry. In 2000, no Chinese lender was among the top 15 global-shipping financiers. By 2010, CEXIM was the second largest lender (with China Development Bank third). GIEK (Norway) and KEXIM and K-sure (Korea) have also introduced or expanded programs that specifically target the shipping industry in recent years.

Many foreign ECAs are also using export finance to target the aerospace industry. Both UKEF (United Kingdom) and SACE (Italy) have offered to support Boeing aircraft despite its aircraft having relatively low national content. These efforts aim to lure Boeing to consider U.K. and Italian suppliers, thereby pulling suppliers away from the United States and to Europe. In September 2017, NEXI (Japan) and UKEF (United Kingdom) signed a co-financing (or reinsurance) agreement. Given UKEF's recent financing of Boeing aircraft and EXIM's own history co-financing aircraft with NEXI, this new agreement will likely be used to expand both the British and Japanese aerospace sectors.

WHOLE-OF-GOVERNMENT APPROACHES

Some countries are using whole-of-government approaches to ensure that exporters are aware of and bidding on as many projects as possible and to facilitate transactions through high-level dialogue. The first pillar of the German strategy, better government-wide coordination, includes appointing a federal government coordinator, creating an inter-ministerial office to coordinate the deployment of financing instruments and related political efforts, and tasking the German Foreign Office with providing political backing through its offices abroad for projects of strategic interest. The Swedish government, in response to complaints from exporters of the increased coordination being demonstrated by foreign governments, started Team Sweden in 2015. Team Sweden plays both a defensive and an offensive role. It helps defend Swedish exporters by spurring whole-of-government action when exporters report running into similar efforts by foreign governments. Alternatively, a government official (e.g., an ambassador) can inform EKN or SEK of a project that would be of strategic value to Sweden.

The two ECAs then identify exporters that would be a good fit and seek to structure a transaction that increases the competitiveness of the Swedish bid.

In combination with a flexible financing package, this coordinated approach ensures that the full weight of a government is put behind the competing exporter. By having broad representation at the negotiating table, governments can more quickly identify and resolve policy or other issues. A whole-of-government approach further reassures buyers that they are receiving the best available financing package.

"The 'Team UK' approach to major projects has seen us marshalling UK suppliers of all sizes and capabilities behind our finance offers to large projects in Iraq and Egypt. These two successes—which alone have the potential to boost UK exports by over £400 million—set a template for a government-wide approach to supporting major projects in all sectors, which will see us, wherever it is appropriate, spearheading the UK offer with a strong finance package."
—Louis Taylor, CEO of UKEF, United Kingdom

"It's a 'call to arms' to all people across government. We have staff from across government meeting companies domestically [and] meeting purchasers of British exports abroad all the time—whether they're ministers or whether they're senior officials or trade envoys or business ambassadors."

—Louis Taylor, CEO of UKEF, United Kingdom

OVERSEAS OFFICES

In addition to sending high-level delegations to meet with buyers on key projects, many ECAs continued to expand their overseas footprint as a proactive measure, connecting buyers to their exporters. EDC (Canada) opened a financing hub in Singapore in early 2017 that has the authority to underwrite and execute transactions. This authority was previously held only by underwriters at EDC's headquarters. The Canadian ECA also opened its 20th overseas permanent representation in Sydney.

"At the same time, EDC will be developing new financing relationships with major Asian companies [through the branch in Singapore] that control some of the world's largest supply chains with a view towards helping grow the number of Canadian businesses within them."

—Mairead Lavery, Senior Vice President at EDC, Canada

"This [branch in Singapore] will be a launching pad for Canadian companies to explore the tremendous opportunities in the Asian market, as they receive the support of EDC and the Trade Commissioner Service. The office will be a key piece of the government's strategy to grow Canada's trade footprint in Asia."

—François-Philippe Champagne, Minister of International Trade, Canada

In recent months, UKEF (United Kingdom) opened a regional office in the United Arab Emirates in order to provide on-the-ground guidance on financing and opportunities in priority sectors. Euler Hermes (Germany) has temporarily deployed staff to the Middle East, embedded within German missions, to

canvas the market and to determine where to deploy permanent staff. EXIAR (Russia) opened its first representative office abroad in Belarus at the end of 2015. Since that time, it has opened seven additional offices across Eurasia. K-sure (Korea) opened its third office in China and 15th overall in early 2018. In comparison, EXIM does not have any dedicated staff stationed overseas.

OTHER PROACTIVE TACTICS

In addition to the tactics described in previous sections, ECAs are increasingly introducing or strengthening programs designed to build domestic capacity to export or to assist in the establishment of new markets. UKEF (United Kingdom) launched a new supply chain product that enables suppliers (many of which are small businesses) of UK exporters to receive payment earlier by selling their invoices to a commercial bank, thereby improving cash flow. This product also provides UK exporters with additional time to pay their suppliers because the bank can offer extended terms for repaying suppliers' invoices as guaranteed by UKEF. GIEK (Norway) extended its ST and MLT working capital products which help exporters to finance production costs associated with export contracts. In addition, SERV (Switzerland) made its working capital insurance products permanent due to high demand, particularly among SMEs. EXIM operates both working capital and supply chain programs.

The direct lending programs created in response to the GFC continued to grow and expand, providing ECAs additional firepower to enter markets. For example, UKEF provided its first direct loan (\$310 million) to a buyer in Africa in 2017. In a survey of 28 ECAs conducted in early 2018, 14 ECAs reported that they provide direct loans, with an additional 4 ECAs noting plans to introduce a program in the near future. Along these lines, a report commissioned by Finland's Ministry of Economic Affairs and Employment recommends that Finnvera (Finland) create a "full-fledged" direct lending program.

FLEXIBLE EXPORT CREDIT AGENCIES

OVERVIEW

National and international constraints apply pressure differently to each ECA. As a result, no two ECAs have the same level of flexibility in their export promotion systems. For example, post-industrial ECAs from the Nordic countries and Japan focus less on the ECA impact on manufacturing jobs and blue collar labor. This focus is in stark contrast to that of Euler Hermes (Germany) and EXIM which condition support on procurement from the ECA's country. Yet most ECAs are calibrating three areas of support in order to meet the needs of their exporters: content, enhanced or new products both under and outside the OECD Arrangement, and risk appetite.

CONTENT

All ECAs are mandated to protect or expand employment in their country—whether directly or indirectly. Some ECAs, such as EXIM, meet this mandate by requiring the inclusion of high levels of domestic content. Other ECAs do not focus on domestic content as the single metric to assess the ECA's impact on employment and instead offer a more flexible approach towards their transactional assessment for support.

An ECA may finance up to 85 percent of an export contract's value under the rules of the OECD Arrangement regardless of the level of domestic content that contract contains.²⁰ Subject to this rule, each ECA is free to implement a content policy that supports its own domestic economy. This flexibility has led to significant variation among ECAs and has made content requirements one of the primary areas of flexibility that ECAs use to support national champions and to help internationalize domestic suppliers.

"That [more customers focus on their management, research and development, financing, and marketing functions] is why SERV also made its requirements concerning Swiss exporters' content eligibility more flexible, as the previous demands were no longer productive."

—SERV, Switzerland

"This change in [OeKB's content] policy is in line with international trends and developments starting from a 'made in' concept, moving to 'made by' and ending up in 'made for.'"

—Ferdinand Schipfer, Managing Director of Export Guarantees of OeKB, Austria

In effect, ECAs have two content-related policies they can adjust to maximize flexibility. First, they can lower the minimum domestic content an export contract must contain to qualify for maximum allowable support. As Figure 8 shows, nearly every G7 country has adjusted its content floor since 2000, with Germany introducing a new policy at the end of 2016. Second, ECAs are free to determine what qualifies as eligible domestic content. For EXIM, its charter-defined mission is to support and protect U.S. jobs; hence, domestic content consists of all goods and services that originate in, are produced in, and are shipped from the United States.²¹ As other ECAs have increasingly had their roles defined in the context of broader "national interests," the importance of jobs has faded. Other ECAs now use a content policy reflective of this changed role, based on national interest or value-added—broader concepts that examine factors like overall company exports, research and development, dividends and royalties associated with a given transaction, and an evaluation of how a given transaction will contribute to the long-term competitiveness of a national champion.

²⁰ Foreign content consists of any portion of an export that originates outside the ECA's, the exporter's, and the foreign buyer's countries.

²¹ EXIM's content policy uses domestic content as a proxy for U.S. jobs. EXIM will support the lesser of 85 percent of the value of all goods and services within the U.S. export contract or 100 percent of the U.S.-produced or U.S.-originated content within the U.S. export contract.

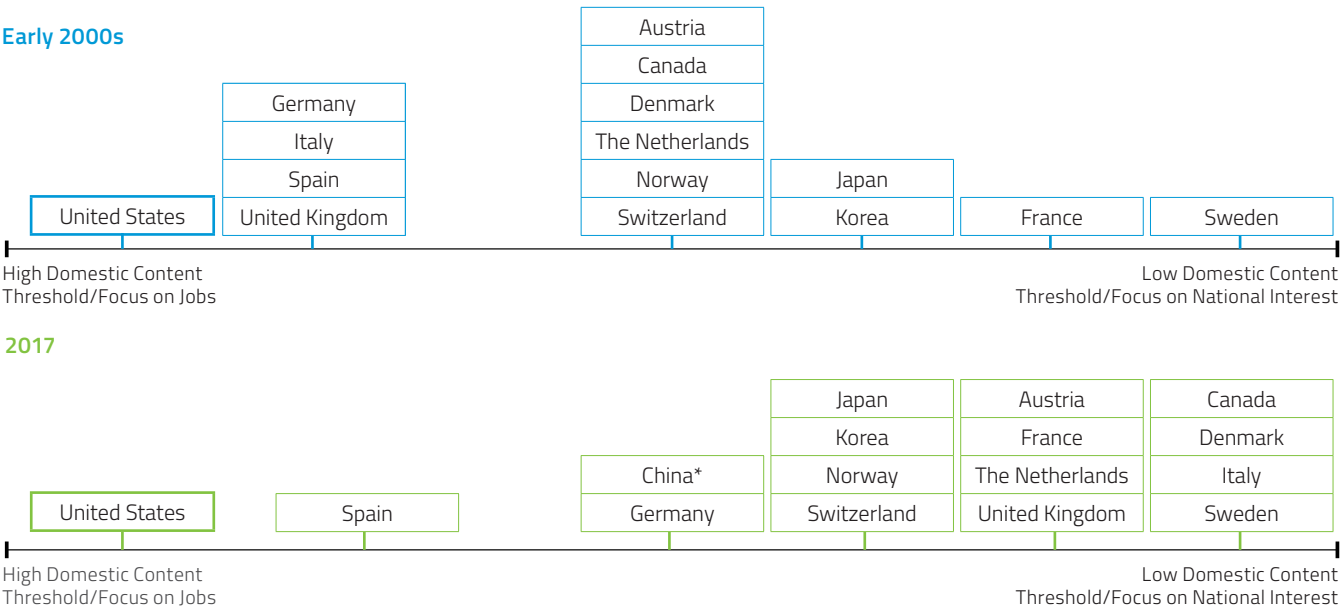
This use of a broader national-interest calculation reflects a belief that if an ECA maximizes its support for an exporter’s competitiveness, the exporter will in turn support domestic employment and growth. In support of these aims, many ECAs will even support overseas subsidiaries of domestic companies. These countries and their ECAs emphasize the value creation inherent in product development, design innovation, marketing, after-sale service, and similar high value-added activities. This is a shift away from transaction-specific considerations in favor of long-term strategic assessments of how an ECA can contribute to macroeconomic expansion and overall national employment.

IMPLICATIONS FOR THE U.S. EXPORT COMMUNITY

Aggressive content policies give ECAs the ability to help pull sourcing to their own countries in sectors of strategic interest. In 2017, SACE (Italy) agreed to fully provide support to buyers of Boeing 787 aircraft, despite the 787 only containing approximately 14 percent Italian content. This offer was made as part of SACE’s recently inaugurated “push” program in which support is offered in exchange for the good-faith effort of major exporters to use ever-more Italian suppliers going forward.

“The agreement we are announcing today strengthens our relationship with an international aerospace giant [Boeing] that has chosen Italy as one of its principal partners. Aeronautics has always been a strategic sector for our economy, where we can be even more incisive and more competitive in the international market. We intend to use this commitment to generate new opportunities for Italian excellence in this sector, with positive impact on growth and employment for many subcontractors, especially small and medium enterprises.”
—Alessandro Decio, CEO of SACE, Italy

FIGURE 8: A Shift from Content Requirements to National Interest (To Evidence Support for Jobs)



* EXIM does not have information on the content policies of the Chinese ECAs from the early 2000s
Source: EXIM, OECD, bilateral engagement, Berne Union

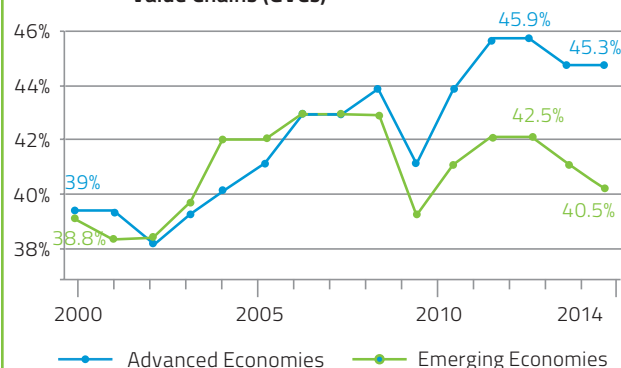
As EXIM remains unable to approve LT transactions, more major U.S. exporters are in active discussions with foreign ECAs regarding how to reach a minimum content floor to qualify for support. These discussions are predicated on the willingness of those exporters to increase their footprint in the ECA's country, such as through increased tax revenue or the use of domestic suppliers for key components. The exporters are merely taking reasonable and responsible steps in light of EXIM's constraints, and the ECAs are only being responsive to requests for support. No one is acting unfairly or inappropriately. Nevertheless, each time an exporter chooses a foreign "supply chain" supplier over one from the United States, U.S. jobs—including many at small businesses—are lost as a result. The core of the battle to replace EXIM is not so much on where the final shipment comes from, but on how much non-U.S. content foreign ECAs can get into a given final shipment from the United States. Sales and profits at familiar U.S. exporters do not suffer anywhere near as much as those at the sub-suppliers that are finding their sales increasingly leaking abroad. Even among larger exporters, these programs and EXIM's absence have resulted in more than \$5 billion in lost sales.

"Not only do we provide solutions for exporters with existing contracts, we also proactively identify potential procurement needs for large foreign buyers as well as large foreign projects and provide financing in order to develop opportunities for procurement from Canadian companies which we refer to as pull facilities."
—EDC, Canada

GLOBAL VALUE CHAINS

Many ECAs are currently using their products and policies to better position their domestic suppliers among the global value chains (GVCs) of multinational corporations.

FIGURE 9: The Ratio of Exports Linked to Global Value Chains (GVCs)



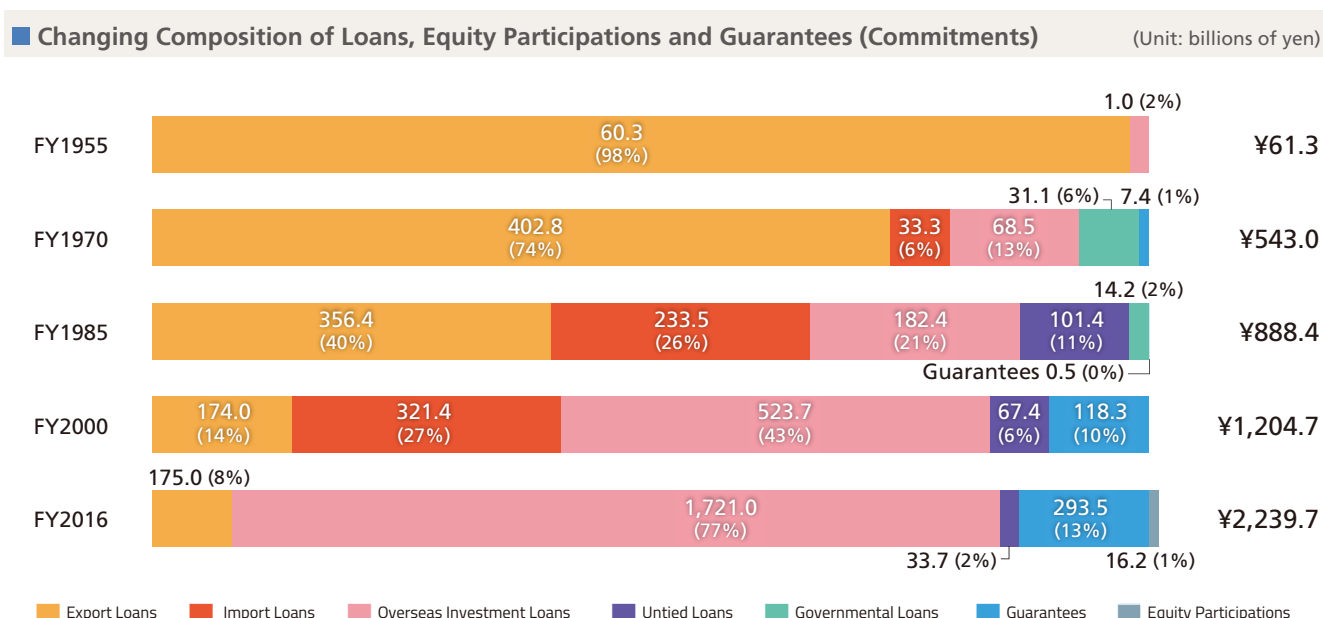
Source: Bank of Italy

As shown in the Figure 9 above, the percentage of exports from advanced economies linked to global value chains consistently increased from 2000 until 2012, where it dropped slightly before flattening out. As more companies become involved in supply chains and as the disaggregation of production increases, there are more opportunities to insert one's domestic suppliers into GVCs.

FINANCING FLEXIBILITIES

As noted previously, the German government introduced a strategy paper in 2017 that outlined financing flexibilities that Euler Hermes could utilize when competing for strategically important infrastructure projects. According to German officials, a strategically important project is one in which a single export transaction could bar German exporters from an entire sector in a given country for an extended period—for example, the first high-speed rail project in an emerging market that will set the technical specifications for all future connecting rail

FIGURE 10: The Composition of JBIC Official Support



Source: 2017 JBIC Annual Report

lines. In order to compete for these projects, the strategy outlines flexibilities that Euler Hermes could employ including a broader use of its untied loan guarantee to fill in financing gaps, the capacity to finance projects with greater than 49 percent non-German content, and the ability to extend 100 percent cover for buyer's credits.²²

"Changes are making clear that political guarding authorities and ECAs today put less emphasis on their trade account balances or on the national value added in single export transactions but focus more on long-term welfare gains..."

—Ferdinand Schipfer, Managing Director of Export Guarantees of OeKB, Austria

These flexibilities are acknowledged to be a response to the non-OECD Arrangement programs of the Asian ECAs. In particular, they are a response to the untied and investment programs of Japan and Korea, as well as all of China's programs as China is not party to the OECD Arrangement. Figure 10 from JBIC's (Japan) 2017 Annual Report shows the rapid change in composition for JBIC commitments over the last six decades. Export loans now make up less than 10 percent of their total business, compared with nearly 80 percent in overseas investment loans. The composition change reflects Japan's support for its national champion companies. Japan trusts that by increasing the international competitiveness of national champions and their foreign subsidiaries, that employment, procurement, and ultimate economic benefits will accrue to Japan.

²² The German untied loan guarantee was previously limited to those transactions that help Germany acquire needed raw materials for manufacturing. Euler Hermes can now decide on a case-by-case basis if an export with greater than 49 percent foreign content is eligible for support. Buyer's credits typically only receive 95 percent cover.

CHINESE FINANCING FLEXIBILITIES

In addition to its innately flexible “standard” non-Arrangement programs, CEXIM operates two preferential loan programs that present competitiveness concerns: the Preferential Export Buyer’s Credit and the Government Concessional Loan.

FIGURE 11: Key Attributes of CEXIM’s Preferential Loan Programs

PREFERENTIAL LOANS	
Government Concessional Loan	Preferential Export Buyer’s Credit
2% interest rate, 5-year grace period, 10-20 year repayment period	2% interest rate, 5-year grace period, 10-20 year repayment period
Finances 100% of contract value	Finances 85% of contract value
Denominated in RMB	Denominated in USD

Source: Export-Import Bank of China

CEXIM is able to offer these loans in combination with “standard” loans depending on what gives Chinese exporters the best chance to win an export contract in line with China’s foreign policy strategy. Furthermore, the features listed above can be modified to suit the needs of the borrower (e.g., offering a 7-year grace period), making the Chinese financing package more attractive.

IMPLICATIONS FOR THE U.S. EXPORT COMMUNITY

As was discussed in detail in last year’s Competitiveness Report (covering calendar year 2016), the widespread and growing use of untied and investment programs has both an immediate and a long-term impact on the U.S. export community. By offering these programs, foreign ECAs are often able to offer a larger, more flexible financing package that can fill in financing gaps. Buyers are incentivized to source more from the country offering the broadest financing package (all else being equal). Furthermore, as the percentage of sourcing from any one country increases, that country is better positioned to receive the balance of plant (auxiliary components) and follow on (related future project) sales.

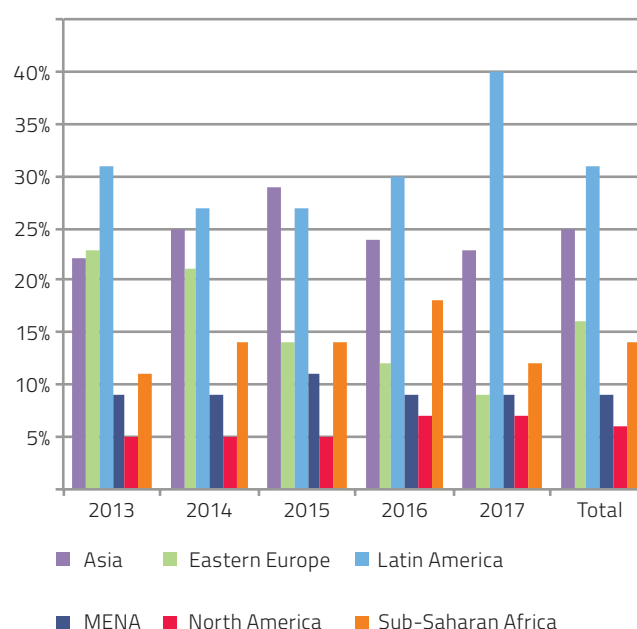
The adoption of other financing flexibilities for projects of strategic importance also has significant long-term repercussions for U.S. exporters. As was envisioned in the German plan, the loss of a first transaction could in effect lock U.S. exporters out of a sector or country for an extended period of time.

RISK APPETITE

ECAs are also demonstrating flexibility through their risk appetites, though the degree and method of taking on additional risk varies significantly by country. Overall, however, there has been a marked shift towards riskier markets over the last five years. In 2012, 48 percent of transactions reported to the OECD occurred in markets with a credit rating agency (CRA)-equivalent rating of ‘B+’ or lower. By 2017, that number had increased to 65 percent led by Italy, Germany, and Austria.

As shown in Figure 12, OECD ECAs appear to be conducting an increasing percentage of their riskiest transactions in Latin America. This increased activity appears largely tied to an increasing number of transactions in Argentina. Activity in Asia, the Middle East and North Africa, and North America remained flat, with only Eastern Europe and sub-Saharan Africa seeing significant drops.

FIGURE 12: Regional Distribution of OECD Transactions to Borrowers Rated ‘B+’ or Lower



Source: OECD

ECA RISK-APPETITE POLICIES

In 2017, EKF (Denmark), Finnvera (Finland), ECN (Norway), and JBIC (Japan) took steps to increase their risk appetite. One particularly noteworthy trend is a shift away from an analysis of only the borrower's and borrower country's risk. Instead, ECAs are making a risk-versus-reward calculation. On the "reward" side, ECAs are looking at domestic content and the strategic value of the exporter and of the recipient country. EKF (Denmark) balances the amount of risk it will accept on a given transaction with the Danish content that particular transaction contains. According to documents on EKF's website, the "extent of the Danish economic interest should still increase in step with the credit risk, meaning that the requirement of economic interest is higher, the higher the risk assumed by EKF Denmark's Export Credit Agency in connection with a specific project." According to the report commissioned by its Ministry of Economic Affairs and Employment, Finnvera (Finland) sets minimum national interest requirements based on OECD country risk classifications, i.e., less risky countries require lower minimums.

The Norwegian Ministry of Trade, Industry, and Fisheries has called for Export Credit Norway to be allowed to receive a guarantee from local (in foreign market) banks with a risk rating of BB, instead of BBB. This change is expected to increase the number of loans ECN is able to give to Norwegian businesses in support of projects in developing countries with room for growth.

JBIC (Japan) completed its first two transactions under its "Special Account" in Iraq and Argentina. The Special Account must only break even on a portfolio basis, as opposed to a transactional basis, and thus gives JBIC the ability to better compete in emerging markets.

"Korea Eximbank will extend support to the key strategic industries, including overseas infrastructure and industrial plants, to help them be equipped with sufficient business development capabilities as many of those companies are already eyeing on project opportunities to participate as TSR [sic] (Total Solution Provider) to improve profitability and stay competitive in their relevant markets. The Bank will provide financial solutions for them to alleviate risks entailed in those projects."

—Choi Jong Ku, former Chairman and President of KEXIM, Korea

IMPLICATIONS FOR U.S. EXPORTERS

Risk appetite can impact both the markets for and relative costs of official export finance support. For example, EXIM is currently closed for long-term transactions in Iraq, whereas Japan can now conduct business there under their "Special Account." Japan may benefit from a "first mover" advantage as a result.

With regard to the impacts of risk on the relative costs associated with official export finance, Participants to the Arrangement are required to charge a minimum premium rate (or exposure fee) for all relevant transactions based on two risk-related factors: a country rating (standardized across Participants to the Arrangement) and a buyer rating (discretion given to ECAs). In examining transactions reported to the OECD, EXIM found that there was significant inter-ECA variation in the assignment of buyer-risk ratings for the same buyer in the same country in a given year. Some ECAs appear to consistently assign higher (i.e., more favorable) ratings and hence, all else being equal, more attractive pricing. For reference, a two-notch difference in risk rating can correspond to differences in up-front exposure fee pricing of more than 1.5 percent.

THE KEY FLEXIBILITIES ASSOCIATED WITH THE “WEAPONIZATION” OF EXPORT FINANCE ARE:

1. Content Flexibilities – ECAs work with exporters to determine both the minimum domestic content required to support a transaction and, subject to an upper bound, how much support to provide for a given level of domestic content. These flexibilities help ECAs promote procurement for specific or future transactions from their respective countries.

2. Financing Flexibilities – Many ECAs, including Participants to the OECD Arrangement, now operate programs outside of the Arrangement’s purview. Other ECAs can provide enhanced support in specific situations. These flexibilities

help ECAs target strategic sectors and can lead to additional procurement from the ECA’s country as buyers are incentivized to procure more from the country offering the broadest financing package.

3. Risk-appetite Flexibilities – ECAs can adjust their risk appetite as they deem necessary. A recent trend is for ECAs to adjust their risk appetite on a given transaction based on their calculated benefit. These flexibilities can impact the pricing of export finance and can be used as market-entry tools.

IN THEIR OWN WORDS

“We are becoming more and more an advocate of opening a new relationship for Italian exporters—through what we call the Push Strategy. In other words open up [an] untied line which would serve the purpose of opening the door for future exports of Italian companies.”

—Alessandro Decio, CEO of SACE, Italy

“...to promote UKEF support through the ‘Exporting is GREAT’ campaign, putting export finance at the heart of trade promotion.”

—Rona Fairhead, Minister of State for Trade and Export Promotion, United Kingdom

“We will lead with finance, helping UK exporters win new business, fulfill larger contracts and get paid securely when they trade.”

—Louis Taylor, CEO of UKEF, United Kingdom

“The role of JBIC in the export of infrastructure systems is not only to provide official funding support but to strengthen the final competitiveness of projects by being actively involved in project formation from the initial stage.”

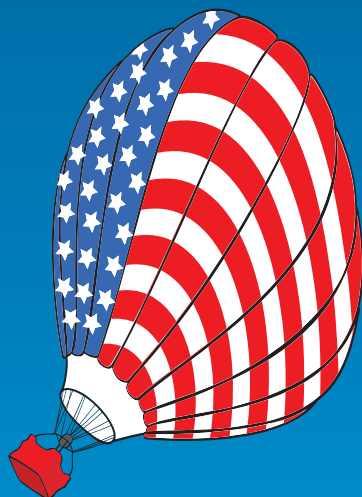
—Tadashi Maeda, CEO of JBIC, Japan

“Sponsors of large, long projects used to carry out their procurement and then find the finance. These days they tend to want to find the finance and drive their procurement off the back of that. So we get sponsors coming to UK Export Finance saying, ‘We’d like to have a billion dollars for this project and we’re prepared to do UK procurement with that billion dollars if you can help us to find a sourcing of all of that procurement’.”

—Louis Taylor, CEO of UKEF, United Kingdom

SECTION 3

SPECIAL SECTIONS





Given the Bank's continued lack of a quorum on its Board of Directors, this year's Competitiveness Report again looks at two areas of particular relevance to stakeholders. These sections include findings from EXIM efforts to understand the impact of the Bank's \$10 million-transaction limit on the competitiveness of the U.S. export community and from the minimal activity that EXIM could conduct given this limitation. In particular, this section includes chapters on:

- **Stakeholder Views:** EXIM conducts a congressionally mandated annual survey of and focus groups with EXIM customers in an effort to provide the views of the U.S. export community to readers of the Competitiveness Report. Beginning in 2016 and continuing this year, EXIM expanded its outreach to include a global exporter survey conducted by TXF and Clevis Research. This effort was further supplemented by two buyer surveys: one conducted by EXIM and one conducted by TXF and Clevis Research.
- **The Medium-Term Program:** Prior to the 2016 edition, the Competitiveness Report analyzed EXIM's medium- and long-term activity together. EXIM did not make any new LT commitments in 2017, and therefore this year's Competitiveness Report again analyzes EXIM's MT activity and that of its competitors in a separate chapter.

STAKEHOLDER VIEWS

OVERVIEW

EXIM's charter requires that the Bank survey a representative sample of U.S. exporters and lenders to present in the Competitiveness Report the impact of EXIM policies on the competitiveness of the U.S. export community, and, where possible, how these policies compare to those of foreign ECAs. EXIM conducts a survey and two focus groups on an annual basis to gather this information. This outreach was supplemented by a commissioned survey conducted by TXF and Clevis Research of a global sample of exporters.

Considering the enhanced leverage that the "weaponization" of export finance and associated competition puts in the hands of buyers—that is, the project sponsors, corporate entities, or governments making purchasing decisions—EXIM conducted an abbreviated buyer survey this year as well. The buyer survey was in turn accompanied by a separate TXF and Clevis Research survey of importers (buyers). The scale of many large international projects means that procurement rarely comes from only one country. As a result, large buyers often have experience working with many different ECAs and have unique insight into how an ECA's policies impact procurement decisions.

EXIM FOCUS GROUPS AND THE EXPORTER AND LENDER SURVEY

FOCUS GROUPS

EXIM, in collaboration with two industry groups (the Coalition for Employment through Exports and the Bankers Association for Finance and Trade), held exporter and lender focus groups with 14 exporters and 17 lenders, respectively, and several one-on-one meetings. The purpose of the in-person meetings is to supplement survey findings with more detailed commentary from the U.S. export community. Many of the same points and issues identified in the survey were also raised during the in-person meetings, including the following:

1. Foreign ECAs are using highly coordinated and aggressive strategies to secure export opportunities.

*"Other countries are putting out the red carpet, while the U.S. government is putting out the red tape."
—U.S. exporter*

2. EXIM's absence does not impact the profits of large exporters and bank clients nearly as much as it impacts total U.S. employment and the financial health of U.S. sub-suppliers. Larger exporters are often (but not always) able to shift production to foreign manufacturing facilities, and, with the support of foreign ECAs, still achieve their sales. Jobs and profits for U.S. sub-suppliers, however, move abroad as a result.

"They [foreign ECAs] want to find ways to work with us. And the consequence of that...is that supply-chain decisions, where we would...traditionally be tapping into our U.S. supply chain, we're now having to look at...[moving things like] engineering hours that would be in our Houston office, [to] our London office... [this may lead to] picking a valve supplier from somewhere in the E.U. rather than down in the Gulf Coast, for example."

—Brendan Bechtel, CEO of Bechtel

So, we [GE Energy Financial Services] made some decisions about where it made sense to locate and expand production plants and developed framework agreements with ECAs in those countries."

—Bob Psaradellis, Managing Director and Global Capital Advisory Leader of GE Energy Financial Services

3. U.S. exporters and project developers are finding that they are not invited to bid on international projects because they lack access to export credit financing. Exporters bidding for EPCF (engineering, procurement, construction, finance) contracts are unable to compete without an ECA's support. Moreover, according to an industry survey conducted last year, five major U.S. EPC contractors reported that in the preceding 12-month period nearly \$52 billion of projects required tied ECA eligibility. The survey also concluded that EPC contractors rendered ineligible to make an initial bid subsequently lost operations and management contracts and follow-on sales.

"...our competitors and our customers don't talk about being an EPC solution anymore, or engineering, procurement, construction. I...[often hear] the term EPCF, with 'F' standing for financing, and bringing a full package, when we're competing for work. So it's something we used to go market proactively to our customers. It's now something that they're demanding from us."

—Brendan Bechtel, CEO of Bechtel

EXPORTER AND LENDER SURVEY

EXIM surveyed a total of 86 exporters and lenders and received 43 responses—for a response rate of 50 percent. Responses were almost evenly split between exporters and lenders. In addition to some of the largest U.S. exporters, 6 of the 10 largest U.S. banks responded.²³ Seventeen respondents each used more than 25 suppliers in order to execute their contracts (with 10 respondents each using more than 100 suppliers).

A total of 29 respondents reported working with a foreign ECA (70 percent)—most often with UKEF (69 percent), Euler Hermes (66 percent), and SACE (52 percent). Of this group, 21 survey takers reflected that EXIM was far less competitive.

"UKEF offers flexible coverage, has been very aggressive in going after companies, and even holds exporter fairs with DIT to introduce companies to UK suppliers."

—U.S. exporter

"We have witnessed a move amongst the vast majority of these ECAs [in the Americas, Europe, and Asia] to make themselves more flexible, user friendly and relevant to the current environment. Their offerings are now significantly more attractive than the programmes provided by EXIM."

—U.S. commercial bank

Nearly 75 percent of survey takers reported working on a transaction where a buyer had the option to choose a U.S. exporter supported by EXIM or a foreign exporter supported by its respective ECA. Of these cases, buyers chose the foreign ECA-backed export more than 80 percent of the time. The loss of this U.S. business was most often due to EXIM's lack of a board quorum and resulting inability to authorize transactions in amounts greater than \$10 million.

As discussed earlier in the Competitiveness Report, content, financing flexibility, and risk appetite are all being calibrated by foreign ECAs in an effort to maximize the benefits accruing to their economies. Exporters and lenders that responded to EXIM's survey also see these elements as competitive concerns. Of the 26 survey takers that responded, 22 reported that EXIM's foreign content policy is far less competitive than that of other ECAs. Many respondents pointed to the ability of foreign ECAs to provide maximum financing support despite high foreign content as a determining factor. Approximately one-quarter of survey takers separately reported encountering non-OECD financing or untied financing programs. This type of financing was viewed as being particularly damaging to U.S. exporters' ability to compete. With regard to risk appetite, 16 of 38 respondents noted that EXIM is less willing to take risk than other ECAs.

²³ As reported by the Federal Reserve based on consolidated assets.

TXF AND CLEVIS RESEARCH EXPORTER SURVEY

In the third and fourth quarters of 2017, TXF and Clevis Research surveyed 167 exporters about their experiences working on transactions with global ECAs. Survey takers were predominantly from Europe and Asia and represented a variety of sectors including energy, construction, telecom, and financial services. EXIM's scores should be interpreted to include historical opinions of EXIM's LT business and more recent thoughts on EXIM's MT program. There was a significant decline in EXIM-related sentiment between 2016 and 2017 with EXIM's total average score (out of 10) falling from 7.56 to 6.51. Perhaps more informative is that EXIM's rank fell from fifth in 2016 to 18th in 2017.

The ECAs with the highest overall scores were EDC (Canada), SERV (Switzerland), and Finnvera (Finland) as shown in Figure 13. Of most interest, these three ECAs were regularly the top three (or three out of four) in the more qualitative elements (e.g., flexibility, user friendliness, and understanding of business) but were barely average on the more quantitative aspects (e.g., pricing and risk appetite).

EXIM BUYER MEETINGS

EXIM conducted 30-minute one-on-one meetings with five buyers, each familiar with both EXIM and foreign ECAs. Participants represented a diverse geography including North America, the Middle East and North Africa, sub-Saharan Africa, and South Asia. Despite the limited sample, taken together, these buyers are currently making financing and purchasing decisions on projects valued at more than \$20 billion.

FIGURE 13: TXF/Clevis Research Exporter Survey – Comparison of Major Global ECAs

ECAs	Deal Execution	Industry Expertise	Understanding of Business	Flexibility	Risk Appetite	Capacity	Pricing	User Friendliness	Product Offering	Total Average	Overall Rating*
EDC	7.71	8.67	8.14	7.75	6.86	7.50	6.71	8.43	8.25	7.78	8.44
SERV	8.43	8.43	9.00	9.14	7.43	7.43	7.14	8.29	8.71	8.22	8.40
Finnvera	8.69	8.81	8.38	8.06	6.81	7.13	6.75	8.75	8.19	7.95	8.19
OeKB	8.06	7.81	8.06	8.81	7.88	8.00	7.50	7.36	8.13	7.96	8.03
KEXIM	7.70	8.40	8.10	7.30	6.90	7.85	7.35	7.30	7.95	7.65	7.73
Euler Hermes	7.91	7.65	7.84	6.89	7.37	7.81	7.19	7.11	7.33	7.46	7.73
UKEF	7.81	7.32	7.66	7.32	7.26	7.95	7.13	7.67	7.66	7.53	7.71
JBIC	7.79	8.12	8.61	6.30	6.39	8.36	7.52	7.55	7.58	7.58	7.63
NEXI	7.39	7.67	8.33	6.00	6.72	8.44	7.56	7.11	7.39	7.40	7.52
K-sure	7.75	7.88	7.50	6.63	7.63	7.75	7.38	6.75	7.25	7.39	7.39
CESCE	7.56	7.44	7.81	6.69	7.25	7.06	6.75	7.50	7.44	7.28	7.36
EKN	7.06	6.83	6.61	7.17	6.56	6.67	6.11	7.33	6.78	6.79	7.08
Atradius DSB	7.25	6.50	7.88	7.25	6.25	7.19	6.44	6.56	7.44	6.97	7.06
EKF	7.21	6.57	7.36	7.14	6.29	6.29	6.50	7.07	6.79	6.80	6.82
BpiFrance	6.58	7.38	6.88	5.85	5.77	6.81	6.15	6.35	7.08	6.54	6.74
SINOSURE	6.60	6.75	8.08	6.58	7.25	8.00	6.83	7.50	6.08	7.07	6.58
SACE	6.35	6.94	7.12	6.97	5.88	6.44	5.65	6.47	7.09	6.55	6.29
EXIM	6.00	7.75	7.63	5.56	6.63	6.00	4.88	7.25	6.88	6.51	6.19
Total Average	7.44	7.61	7.83	7.08	6.84	7.37	6.75	7.35	7.45	7.30	

* In addition to the average of all the categories (Total Average), exporters were asked for their overall opinion of the various institutions. This was done because different exporters regard different categories as more important than others. Moreover, other aspects that have not been included may be important to respondents.

0 to 5: underperforming
5 to 7: sufficient performance
7 to 8: very good performance
8 to 10: excellent performance

Source: TXF and Clevis Research

Key takeaways from the discussions include:

1. Official export credit plays a key role in the financing mix of large projects, as the commercial market, either locally or internationally, is unable to provide the volume of financing or tenor required by buyers without ECA cover, particularly in sub-investment grade markets.
2. The inherent flexibility of untied financing confers a variety of benefits on projects. It helps buyers mitigate some of the time and due diligence burdens associated with identifying suppliers from unfamiliar markets (as would be necessary for tied financing).
3. Foreign ECAs, particularly from Europe, are very actively trying to fill the gaps in the official export credit market left by EXIM's absence. One buyer with considerable history as an EXIM customer reflected that SACE approached them about using "pump-priming" support in exchange for an effort to procure more from Italy in the future.
4. EXIM's lack of a board quorum has had, and continues to have, a negative impact on sourcing from the United States.

"Over the last six weeks, we have shifted, as a company, a billion dollars of exports coming from the state of Pennsylvania to Western Europe. And this is entirely a consequence of the lack of export credits coming from the United States."

—Basil El-Baz, Chairman and CEO of Carbon Holdings, Egypt

TXF AND CLEVIS RESEARCH BUYER SURVEY

TXF and Clevis Research surveyed a total of 53 buyers in the second half of 2017, including 73 percent from Asia, 20 percent from the Americas, and 7 percent from Europe. Again, EXIM's scores are based on past EXIM performance in the LT market and current performance for the MT program. Of the 13 ECAs included in the survey, EXIM ranked 11th, with low scores in flexibility, risk appetite, pricing, and product offering. As in the TXF/Clevis Exporter Survey, EXIM performed well in Industry Expertise, with a score of 8.71. In line with exporter and lender feedback, buyer responses highlight the impact that qualitative aspects like flexibility, user friendliness, and understanding of business have on the perceived competitiveness of ECAs. The top three overall ECAs—Finnvera (Finland), SERV (Switzerland), and SACE (Italy)—were among the top ECAs across these categories.

FIGURE 14: TXF/Clevis Research Buyer Survey – Comparison of Major Global ECAs

ECAs	Deal Execution	Industry Expertise	Understanding of Business	Flexibility	Risk Appetite	Capacity	Pricing	User Friendliness	Product Offering	Total Average
Finnvera	8.25	8.75	8.25	8.00	8.00	8.50	8.75	9.00	8.25	8.42
SERV	9.00	8.40	9.20	9.00	7.40	7.00	7.60	8.80	8.80	8.36
SACE	8.00	8.67	8.83	8.50	7.50	8.33	7.50	9.00	8.83	8.35
K-sure	8.00	8.25	8.00	9.00	7.50	7.75	7.75	8.25	9.00	8.17
Euler Hermes	8.33	9.00	9.33	7.00	6.33	8.33	8.67	7.67	7.00	7.96
UKEF	8.42	8.69	8.23	6.77	7.42	8.12	7.69	8.08	7.31	7.86
SINOSURE	7.33	7.67	7.67	7.67	7.67	7.67	7.33	7.00	9.00	7.67
EKF	8.00	8.00	7.33	7.67	6.67	8.00	8.00	7.33	7.67	7.63
JBIC	8.17	8.00	8.17	6.50	6.50	7.50	7.83	7.67	7.67	7.56
NEXI	7.67	8.00	8.00	6.67	6.33	7.00	9.00	7.67	7.67	7.56
EXIM	7.00	8.71	7.57	5.21	6.43	7.71	6.00	7.71	6.86	7.02
Others Average	5.71	7.63	5.96	5.50	5.17	7.63	5.63	4.71	5.42	5.93
Total Average	7.82	8.31	8.06	7.29	6.91	7.79	7.65	7.74	7.79	7.71

Source: TXF and Clevis Research

0 to 5: underperforming
5 to 7: sufficient performance
7 to 8: very good performance
8 to 10: excellent performance

THE MEDIUM-TERM PROGRAM

OVERVIEW

EXIM's medium-term (MT) program has not historically been a focus of the Competitiveness Report because MT activity usually represents a modest share of ECA activity. (For example, in a typical year since the GFC when EXIM was fully operational, MT activity represented 3 percent of EXIM authorizations). In CY2016, because of the lack of LT authorizations due to EXIM's continued lack of a board quorum, the Competitiveness Report included a chapter comparing only EXIM's MT program to the MT programs of other ECAs. Given the lack of a board quorum throughout 2017, EXIM is again presenting a brief chapter only on the MT program.

EXIM's MT program consists of insurance or loan guarantees to support transactions in amounts up to \$10 million and that have repayment tenors up to and between two and seven years.²⁴ EXIM staff who have delegated authority previously granted by an EXIM Board of Directors can approve MT transactions, which means that these transactions do not require board approval. Transactions supported by EXIM's MT insurance or loan guarantees are not subject to U.S. shipping requirements.²⁵

EXIM ACTIVITY

EXIM authorized \$217.8 million of MT transactions in 2017, up from the last several years (the average for 2014 to 2016 was \$147.3 million) but still below the \$281 million in 2011. Historically, EXIM's largest MT markets have been Mexico, China, and Brazil. EXIM authorized no MT transactions to China in 2017 due to the lapse of the China Framework Agreement.

FOREIGN ECA ACTIVITY

Because no other ECA differentiates MT from LT transactions, EXIM reviewed OECD ECA MLT authorized data from the last seven years and identified the cases that appeared to fit EXIM's MT criteria. This exercise provided the basis for comparison of MT activity, risk appetite, and premia.

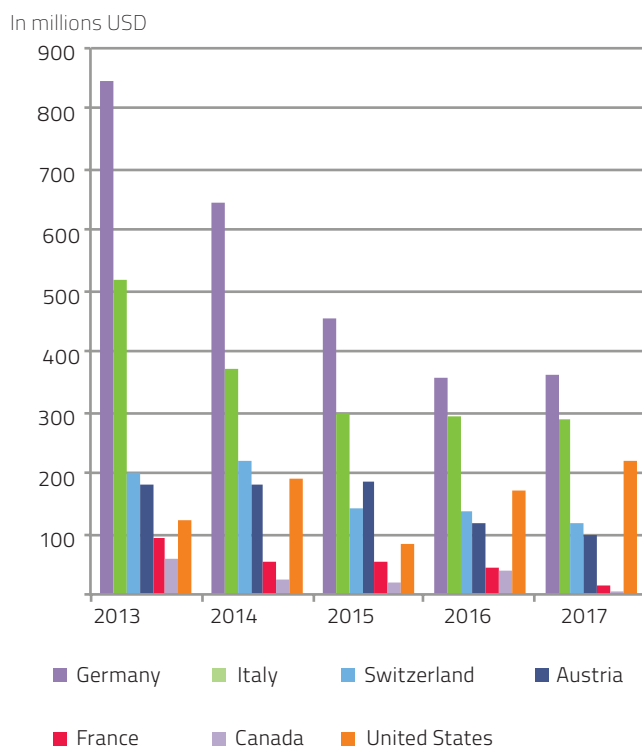
ECA Activity: As shown in Figure 15, foreign ECA activity was typically muted. Germany and Italy continued to be the market leaders with combined support of approximately \$650 million.²⁶ MT transactions authorized by German and other European ECAs tended to fund projects and exports destined for Russia, Turkey, Brazil, and Mexico. Although EXIM does little MT business in some of these markets, Brazil and Mexico are significant export destinations for U.S. goods and services. (EXIM supported more than \$204 million and \$250 million, respectively, over the last six years.)

²⁴ In certain cases (e.g., environmentally beneficial exports), EXIM can provide support under the MT program for tenors of longer than seven years. In rare circumstances EXIM can provide a direct loan under the MT program, but only three EXIM MT loans have been approved in the last 10 years.

²⁵ In the rare cases where EXIM provides a MT direct loan, U.S. shipping is required.

²⁶ Sweden historically has been highly active in MT export credit. However, there are inconsistencies in the 2017 numbers reported for Sweden that render a comparison to prior years or to other countries meaningless, and therefore these numbers have been excluded from the analysis of this year's report.

FIGURE 15: Medium-Term Activity of Select OECD ECAs



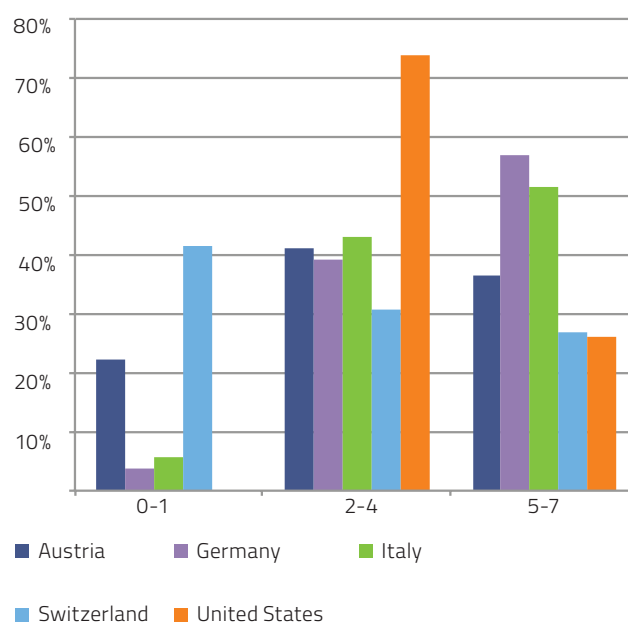
Source: OECD

It should be noted that a significant portion of EXIM's MT activity typically is done under the OECD Aircraft Sector Understanding (ASU). These transactions support both business jets and agricultural aircraft, primarily to Latin America.

Risk Appetite: EXIM has generally shown lower risk appetite in the MT segment than its OECD competitors, as demonstrated by transaction buyer and country risk scores reported to the OECD. Figure 16 illustrates the breakdown of the non-ASU MT activity of some of the most active ECAs by country risk (a rating of 0 being the safest, 7 being the riskiest). While the United States is not as active in investment-grade or safest markets, it has relatively lower activity in the riskiest segment of the market.

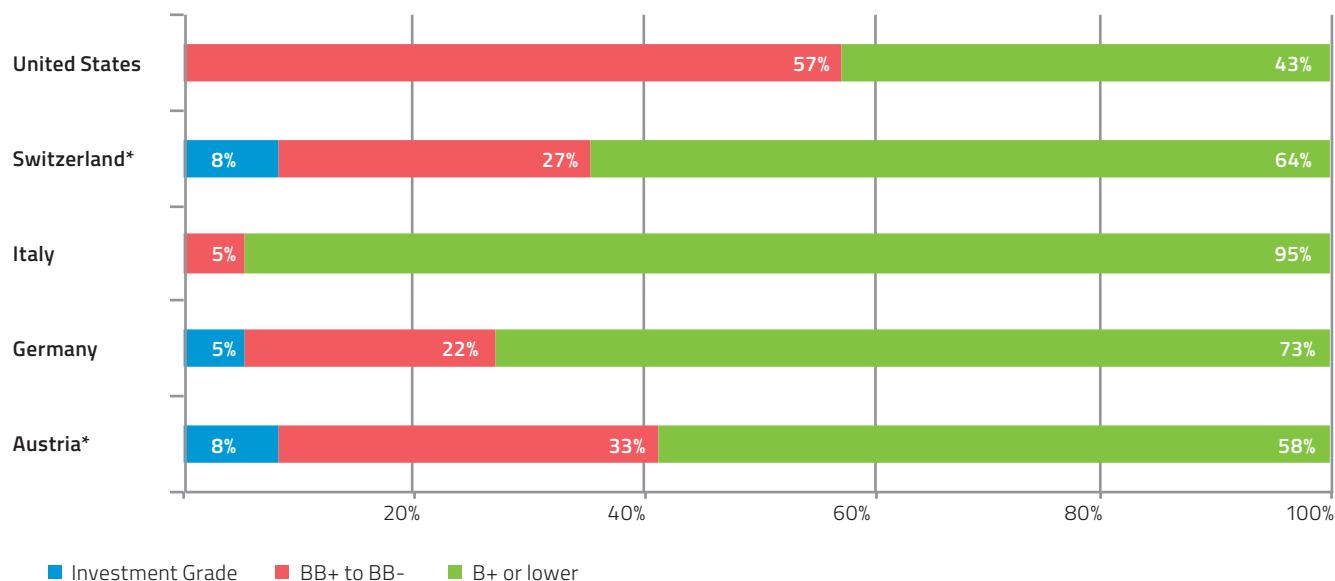
Simply looking at the country risk does not tell a complete story: It is possible for an ECA to take relatively riskier credits in safe countries or relatively safer transactions in riskier countries. By combining transactions' credit classification scores (a measure of credit risk) with the country-risk rating, a single credit-rating agency score can be developed. Figure 17 breaks down that spread. Note that this is the same pattern as is seen in Figure 16. The United States (EXIM) is relatively less likely to support transactions in the better markets but also tends not to support the riskiest deals.

FIGURE 16: Breakdown of ECA Activity by Country Risk Rating in 2017



Source: OECD

FIGURE 17: Composition of MT Activity by Risk Rating, 2017



*Figures may not add up to 100% due to rounding

Source: OECD

While EXIM was not as active in transactions of investment-grade quality as are some ECAs, it also has a smaller share of transactions that are rated less than BB-, with only about 40 percent of its transactions at that level. In comparison, over half of Germany's and Italy's were. EXIM uses a variety of risk mitigants routinely that most ECAs use on a transaction-by-transaction basis, such as liens or personal and corporate guarantees. Foreign ECAs generally do not require such security for a small transaction, and, when the ECAs do require security, that requirement typically will result in a premia discount. The exporter focus group identified EXIM's use of liens as a standard procedure on small transactions to be a challenge, particularly when exporting to jurisdictions that do not allow a lien to be established before a good arrives in the country, rendering it onerous to fulfill the documentary requirements prior to shipping.

Premia: EXIM's modest risk appetite is also demonstrated by its reluctance to consider premia discounts that may be commensurate with the risk mitigation imposed on the transaction. Figure 18 shows the difference in pricing for five-year transactions between Germany and the United States. This difference is driven by Germany (Euler Hermes) both applying discounts (about 10 percent of its transactions with a 5-year tenor) and providing less coverage (95 percent rather than 100 percent). The difference in coverage accounts for about 5 to 6 percentage points of the difference in premia (e.g., for B- or worse countries, the differing coverage can explain about one-third of the 17 percent price difference).

FIGURE 18: Average Premia Charged for 5-Year Transactions*

Risk Category	Germany	United States	Price Difference
B- or worse	9.0%	10.5%	17.0%
B	7.5%	8.5%	13.0%
B+	6.0%	8.0%	33.0%
BB-	4.5%	5.5%	22.0%
BB+ to BB	3.5%	4.0%	14.0%

*All premia are rounded to the nearest half-percent.

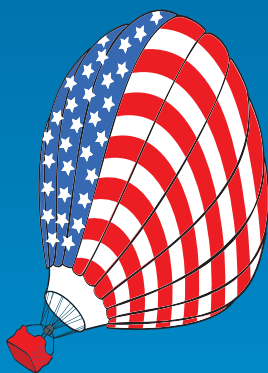
Source: OECD

COMPETITIVE IMPLICATIONS

EXIM's MT program did not change in 2017. Volumes were up modestly for EXIM, as was MT activity for competitor ECAs. The U.S. export community still finds EXIM's MT policies, particularly concerning security requirements and risk mitigants, to be broadly uncompetitive. Additionally, while pricing has generally improved, exporters have continued to express frustration over the different credit standards between the MT and LT programs that generally lead to higher prices on the MT transactions.

SECTION 4

HIGHLIGHTS OF ACTIVITY IN MAJOR PROGRAMS AND POLICIES





Past editions of the Competitiveness Report typically included analyses of EXIM strengths and shortcomings across a range of programs and policies that are key areas for or determinants of competitiveness. This year, as in 2016, the Competitiveness Report instead presents readers with brief highlights principally of the support being provided by other ECAs due to EXIM's lack of LT activity.

Highlights in specific program areas address:

- Aircraft
- Project Finance
- Co-financing
- Environment

Highlights of particular financing terms and conditions include:

- Interest Rates
- Economic Impact
- Foreign Content
- Local Costs

PROGRAM AND POLICY UPDATES

AIRCRAFT

- For the first time in 2017, Boeing was able to secure support from two European ECAs (UKEF and SACE) for the sale of eight large aircraft (five 787s and three 737s, respectively). UKEF and SACE provided guarantees for the Boeing jetliners on the condition that some parts for the jets were sourced locally. In the case of UKEF (United Kingdom), 20 percent of each 787 is considered U.K. content (largely from the Rolls-Royce engines). SACE has suggested that it will support up to \$1.25 billion of Boeing purchases each year due to the estimated 14 percent Italian content found in the 787.
- ECA financing in support of large commercial aircraft was minimal in 2017 due to the inability of both Boeing and Airbus to utilize their domestic ECAs. Aside from the above, EDC (Canada) was the only other Participant to the OECD Arrangement's Aircraft Sector Understanding to provide support for a large aircraft (one C Series 300 to Latvia). As of February 2018, Airbus has reached an agreement with the EU ECAs to resume funding on a case-by-case basis.
- In May, China and Russia officially launched the China-Russia Commercial Aircraft International Cooperation, a joint venture that aims to produce and deliver a wide-body airliner (the C929) by 2025.

PROJECT FINANCE

- ECA-supported volume continued its downward trend in 2017. OECD ECAs supported \$7.4 billion in project finance transactions, a decline of 38 percent from 2016. Key trends driving down project activity include a weak market for commodities and renewables and macroeconomic uncertainty and political risk in traditional markets (e.g., Qatar).

- Greenfield, limited-recourse projects continue to constitute a small share of total activity, as the trend towards brownfield, structured project finance continues.
- ECAs rely heavily on the flexibility offered by non-Arrangement financing options to attract large project-finance transactions. Over two-thirds of OECD ECA support for project finance was done through these non-Arrangement programs, with Canada (\$2.1 billion), Korea (\$2.1 billion), and Italy (\$0.8 billion) accounting for the largest share of these transactions.

CO-FINANCING

- EXIM did not sign any new framework agreements in 2017.
- In CY 2017, EXIM supported \$85 million in MT co-financed transactions (42 transactions), an increase from the \$35 million (13 transactions) authorized in CY 2016.
- NEXI (Japan) and UKEF (United Kingdom) signed a co-financing framework agreement in 2017. Boeing noted that the co-financing agreement may open up additional NEXI financing for Boeing.

ENVIRONMENT

- In accordance with a congressional mandate in its charter, EXIM continued to promote renewable energy exports. While EXIM authorized \$10.4 million in ST transactions (FY2017) supporting renewable energy as seen in Appendix E, EXIM did not authorize any MLT transactions in this sector. Other OECD ECA MLT renewable energy commitments totaled approximately \$2.1 billion in 2017, almost \$1 billion less than the approximately \$3 billion in annual commitments made in support of this sector on average over the past six years.

- EXIM's Environmental and Social Due Diligence Procedures and Guidelines (ESPG) were not a factor from a competitiveness standpoint in 2017, given the constraints on EXIM's ability to authorize transactions to which the ESG generally apply (i.e., transactions in amounts greater than \$10 million).

INTEREST RATES

- Official OECD fixed-rate CIRR activity in 2017 increased considerably from 2016. In total, OECD ECAs provided \$8.95 billion in official financing support through direct loans and interest make-up schemes. With interest rates in the United States and in many other economies continuing to rise, the draw of fixed-rate financing at CIRR is likely to continue.
- Supporting this trend, 2017 saw a steep decline in the activity of official floating rate lenders. OECD ECAs provided just \$2.6 billion in official floating rate support in 2017, down from \$7.1 billion in 2016.

ECONOMIC IMPACT

- In accordance with the EXIM charter, EXIM reviews all applications for the net economic impact on U.S. industry or U.S. employment, as well as for any applicable trade measures. The lack of an EXIM board quorum prevented the Bank from considering applications for amounts greater than \$10 million, resulting in no detailed economic impact analyses being conducted in 2017.
- For one ST transaction in 2017, EXIM notified an exporter that EXIM support was unlikely because the export would be used to produce a steel product with an antidumping order or an applicable countervailing duty. The exporter informed EXIM that it would have to source more from Luxembourg going forward because ECA support was more readily available.

FOREIGN CONTENT

- Almost 50 percent of EXIM's MT authorization volume contained some foreign content; foreign content averaged approximately 20 percent of the value of such transactions.²⁷

- OeKB (Austria) introduced a more flexible content policy at the end of 2016, now requiring 25 percent Austrian content instead of 50 percent.
- Further, rather than focusing on domestic content in individual transactions, OeKB now puts a stronger emphasis on a wider range of economic aspects, including features that increase the future prospects of an export company. For example, OeKB examines both firm-specific criteria (such as domestic employment effects, current and planned investment projects in Austria, research and development investment, and the regional importance of a company or corporate taxes paid in Austria) and project-specific criteria (such as the potential of future contracts triggered by a particular project or a project's economic effects in a country or region).

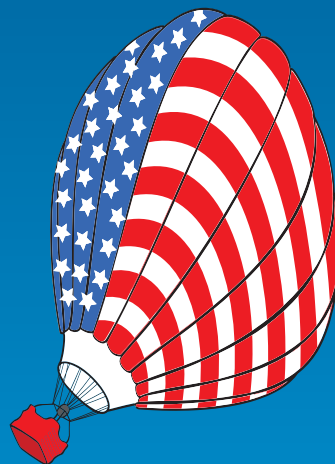
LOCAL COSTS

- EXIM supported \$6 million in local costs in CY 2017 (an increase from \$3 million in CY 2016), which was offered to cover local services and taxes—not local capital goods procurement.
- Other ECAs are evolving their local-costs policies to be more flexible and responsive to commercial requirements, thus becoming more competitive with EXIM, which allows local costs to be inside or outside the exporter's contract for all MLT transactions.
- Foreign ECAs generally require local costs to be inside the exporter's contract. However, some foreign ECAs—e.g., JBIC (Japan), SERV (Switzerland), EKN (Sweden), India Exim Bank (India), and ECIC (South Africa)—can support local costs outside of the exporter's contract because these costs are directly linked to the implementation or completion of the transaction or are under specific conditions (e.g., project finance, large and complex projects).
- G7 ECAs have generally provided local costs support to 20 to 30 percent of their transactions for the past five years; however, in 2017 they provided local costs support to around 40 to 50 percent or more of their transactions.

²⁷ This figure is based on export value.

SECTION 5

APPENDICES





CHARTER REQUIREMENTS

EXIM's charter requires that the Competitiveness Report provide Congress with information on the following topics:

- Appendix A: Purpose of EXIM Transactions
- Appendix B: Equal Access for U.S. Insurance
- Appendix C: Tied Aid Credit Program and Fund
- Appendix D: EXIM Co-financed Transactions
- Appendix E: Environmental Policy
- Appendix F: Services

FURTHER READING

These appendices feature discussions of topics otherwise required by Congress (though not part of the Competitiveness Report) or that provide readers with additional background on key policies or topics that impact EXIM's competitiveness vis-à-vis foreign ECAs. This section also includes useful references for those wanting to learn more about official export financing:

- Appendix G: U.S.-Flag Shipping Requirements
- Appendix H: Trade Promotion Coordinating Committee
- Appendix I: Point-of-Experience Customer Survey
- Appendix J: List of Active Export Credit Agencies
- Glossary
- Acronyms and Abbreviations

PURPOSE OF EXIM TRANSACTIONS

Pursuant to Section 8A(4) of EXIM's charter, the Bank gathers "a description of all Bank transactions which shall be classified according to their principal purpose, such as to correct a market failure or to provide matching support." EXIM aggregates applicant responses into three main categories for reporting purposes:

(1) to counter potential ECA competition, (2) to address private sector financing limitations, and (3) to address when the private sector is unwilling to take risks. Figure 19 below reports one purpose, the primary purpose, per transaction by program in CY2017 and gives the authorized value. Although only the primary purpose is reported here, applicants may cite multiple purposes.

Figure 19: EXIM Transactions by Purpose, 2017

	Potential Competition		Private Sector Limitations		Private Sector Unwilling to Take Risks		TOTAL	
	(USD Millions)	Count	(USD Millions)	Count	(USD Millions)	Count	(USD Millions)	Count
Medium-Term Guarantee	1.7	1	31.5	10	109.6	22	142.7	33
Medium-Term Insurance	0.7	1	47.1	29	32.8	28	80.6	58
Short-Term Insurance	9.5	15	1,293.6	977	1,127.5	1,246	2,430.6	2,238
Working Capital	2.1	3	314.9	87	420.9	133	738.0	223
TOTAL	14.0	20	1,687.2	1,103	1,690.8	1,429	3,391.9	2,552

Source: EXIM

EQUAL ACCESS FOR U.S. INSURANCE

Section 2(d)(4) of the EXIM charter requires the Bank to report in the annual Competitiveness Report those transactions for which the Bank had information that an opportunity to compete was not available to U.S. insurance companies. Section 2(d)(2) of the EXIM charter states that “the Bank shall seek to ensure that United States insurance companies are afforded an equal and nondiscriminatory opportunity to provide insurance against risk of loss” in connection

with long-term transactions valued \$25 million or more. During CY2017 (the reporting period covered by this report), EXIM was not able to authorize transactions of this size. As a result, there were no new applicable transactions. The Bank is not aware of any applicable transactions in its portfolio which fail to comply with this section of the EXIM charter or of any pending financing which, if successfully completed, would violate this section.

TIED AID CREDIT PROGRAM AND FUND

SUMMARY

Section 10(g) of EXIM's charter requires EXIM to provide an annual report on several aspects of EXIM and foreign ECA use of tied aid. This appendix addresses:

1. The tied aid reporting requirements of EXIM's charter; and
2. The competitiveness issues pertaining to the use of tied and untied aid. In creating EXIM's Tied Aid Credit Program and Fund, Congress recognized in EXIM's charter that tied and untied aid can be predatory methods of financing that can distort trade to the detriment of U.S. exporters.

In 2017, the total amount of OECD tied aid activity increased by approximately 35 percent, continuing a steady climb in volume to a record high of \$12.5 billion, the highest volume provided annually since 1995 and higher than trade-related untied aid for the first time since 2004. Although the degree and scope of competitive concerns have been greatly diminished since 1991 by the introduction of the OECD Arrangement rules on tied aid, U.S. exporters have still faced competitive challenges in certain circumstances that result from foreign tied aid offers. As such, growing volumes of tied aid globally need to be monitored for potential competitive implications for U.S. exporters. No specific allegations of predatory tied aid or requests for matching were submitted to EXIM in 2017.

A description of the current tied aid activity and competitive implications follows.

OVERVIEW AND BACKGROUND

Unlike export credits, tied aid is subsidized support and its terms are more generous than standard export credits. Therefore, tied aid can distort trade

flows by inducing a buyer in the recipient country to make its purchasing decisions on the basis of the most favorable financial terms, rather than the best price, quality, or service of the product. Tied aid providers pursue developmental and strategic objectives with the provision of tied aid that also benefits their national exporters. For example, Korea's tied aid program, operated by the Economic Development Cooperation Fund (EDCF), housed within the Export-Import Bank of Korea, offers tied aid to buyers who purchase goods and services from Korean companies. According to EDCF, if the buyer would like to receive an even lower interest rate, they can do so by choosing exports from a Korean SME.

Tied aid is concessional funding provided by a donor government that requires (in law or in fact) that the funding be used for the procurement of goods or services from the donor country. These financial offers can take various forms:

- Grants
- Mixed credits (a grant provided alongside a standard export credit)
- "Soft" (i.e., concessional) loans, which are loans bearing a low interest rate, extended grace period, and/or a long repayment term

"The Bank will actively engage in connecting Korean companies to more opportunities, based on its rich and extensive global network and comprehensive financial package encompassing export credit, EDCF, and development finance. It is vital that Korean companies seize new opportunities in emerging markets and expand global presence by winning overseas contracts, rather than just dwelling on maintaining their competitive position in the established markets."
—Choi Jung Ku, former Chairman and President of KEXIM, Korea

DESCRIPTION OF THE IMPLEMENTATION OF THE ARRANGEMENT

Section 10(g)A of EXIM's charter requires EXIM to report on the implementation of the Arrangement rules on tied aid, specifically on the operation of the rules, including a description of the notification and consultation procedures. Competitive concerns and level playing field considerations led Participants to the OECD Arrangement to require countries to submit notifications of tied aid offers to the Participants to the Arrangement 30 days in advance of the bid closing or commitment date. This allows OECD ECAs to review and, if needed, to match foreign tied aid offers that are either noncompliant with OECD rules or that are otherwise competing with standard export credit support. This level of transparency has worked well because it has served to redirect tied aid from commercially viable to less viable, or development-oriented, sectors. As such, no tied aid offers have been challenged since 2009, and, as a result, no changes have been made to the notifications procedures. Regarding consultation procedures, no tied aid projects have been examined by the Consultation Group on Tied Aid since the 2009 challenge. No matching offers were made in 2017, which is not a large difference from the single matching offer made in 2016.

EXIM TIED AID ACTIVITY

Section 10(g)C of EXIM's charter requires a description of EXIM's use of the Tied Aid Credit Fund. EXIM did not make use of its Tied Aid Credit Fund in 2017. EXIM strictly applies the OECD Arrangement rules on tied aid and is more stringent than most other OECD members in that it is long-standing U.S. government policy for EXIM not to initiate—only to match—specific foreign tied aid offers under certain circumstances where U.S. exporters are at a competitive disadvantage. EXIM has not authorized any matching offers since 2011, and has only authorized three tied aid offers since 2002. Responses to the 2017 exporter and lender survey again demonstrated that EXIM customers are encountering tied aid in the market, and 70 percent

of respondents noted that EXIM's tied aid financing is less competitive than that offered by other ECAs. However, EXIM did not receive any applications for tied aid matching support in 2017.

FOREIGN ECA TIED AID ACTIVITY

Section 10(g)B of EXIM's charter requires a description of foreign tied aid activity. This reporting has been categorized into OECD and non-OECD activity:

OECD ECA ACTIVITY²⁸

The tied aid rules of the OECD Arrangement define four types of tied aid, described here below with the related activity levels for 2017, which, when combined, reached a total of \$12.5 billion:

1. First, a tied aid offer that has a concessionality level of greater than or equal to 80 percent is considered highly concessional. This type of tied aid is more costly to the donor country and more closely resembles a grant than tied aid with a lower level of concessionality. As such, highly concessional tied aid is more developmental in nature and less likely to be trade-distorting. In 2017, highly concessional tied aid totaled \$2.4 billion, representing an increase in volume of 22 percent from 2016.
2. Second, *de minimis* tied aid is an offer of tied aid that has a value of less than 2 million SDR.²⁹ Given the small ticket size, competitive concerns are minimized. In 2017, *de minimis* tied aid totaled \$4.1 million, representing a decrease in volume of 79 percent from 2016.
3. Third, Least Developed Countries (LDCs), as defined by the United Nations, are not a typical market for export credits, and, as such, tied aid to these countries is considered to be less likely to pose competitiveness implications. In 2017, tied aid to LDCs totaled \$2.4 billion, representing an increase in volume of 50 percent from 2016.

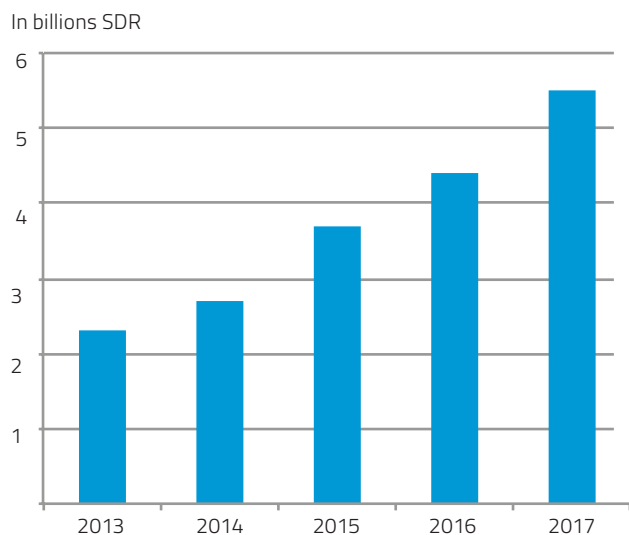
28 Figures are as of December 31, 2017, and based on tied aid offers notified to the OECD prior to commitment. As such, it is possible that some of these offers did not reach the commitment stage.

29 Tied and untied aid data is reported to the OECD in Special Drawing Rights (SDRs). Based on data from the OECD, in 2017 \$1 was approximately equal to 0.721 SDR.

4. All other tied aid activity is the core type of tied aid and is known as “Helsinki-type tied aid.” Helsinki-type tied aid has the highest potential for competitiveness concerns and potentially negative implications for a level playing field. Helsinki-type tied aid reached a record \$7.7 billion in 2017, representing an increase in volume of 35 percent from 2016 and the highest annual volume of these offers since reporting began in 1995.

Although the OECD tied aid disciplines have helped diminish the degree and scope of competitiveness concerns by redirecting tied aid away from commercial projects in high-income markets to developmental projects in lower-income markets, the record high volumes of total and Helsinki-type tied aid seen in 2017 continues the upward trajectory of tied aid volumes, and, as such, is an important trend to monitor.

FIGURE 20: Helsinki-Type Tied Aid Activity, 2013-2017



Source: OECD

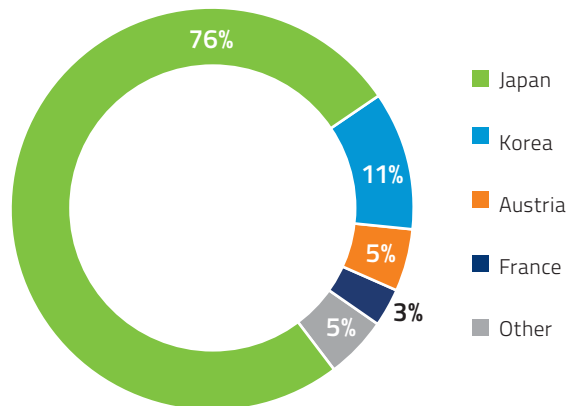
As shown in Figures 21 and 22, specific trends from 2017 include:

- Japan has always been the OECD leader in providing tied aid. In 2017, Japan's offers of tied aid increased in volume by more than 50 percent from 2016, totaling just under \$6 billion, helping to maintain Japan's historical position. The majority of Japan's offers were for rail projects in the Philippines.

Although few in number, given the large volume of tied aid offered for each project, Japan's support contributed to the high concentration of tied aid provided to the Philippines, which received approximately 75 percent of Helsinki-type tied aid volumes. Typically, tied aid offers are more evenly distributed across markets, generally to lower middle-income countries in the Indo-Pacific.

- Korea was the second-largest provider of Helsinki-type tied aid, offering almost \$1 billion, and approximately half of this amount was for health and transportation infrastructure.
- Major European providers in 2017 included Austria, the largest European provider, and France, but both countries offered significantly less tied aid than the Asian ECAs, jointly providing approximately \$600 million in Helsinki-type tied aid offers. Austria provided more than half its offers to buyers in the health and education sectors. France provided most of its tied aid offers for the purchase of locomotives.
- With the exception of Korea, all other providers offered Helsinki-type tied aid with an average concessionality level that was at or just above the required 35 percent threshold. This suggests that the vast majority of providers prefer to offer terms and conditions that meet but do not exceed the minimum concessionality level, without being more costly.

FIGURE 21: OECD Providers of Helsinki-Type Tied Aid by Volume Share, 2017

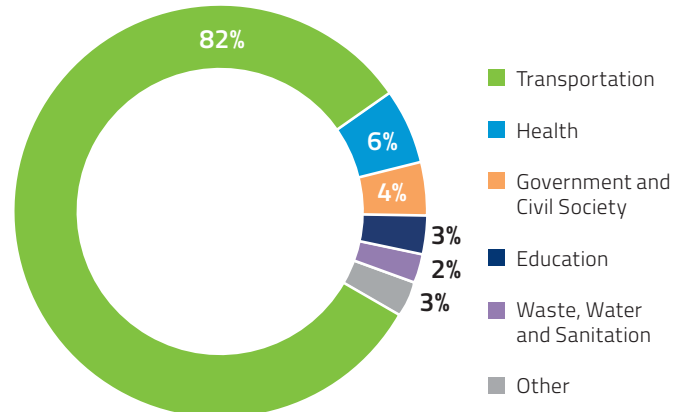


Source: OECD

NON-OECD TIED AID ACTIVITY

OECD tied aid rules and transparency requirements do not apply to tied aid offers from non-OECD countries. U.S. exporters have expressed competitiveness concerns regarding concessional offers from non-OECD countries, particularly. However, despite the numerous allegations, there has only been one case presented to EXIM, in 2010, where EXIM agreed to provide a matching offer on the basis of credible information on Chinese terms that went beyond standard Arrangement terms but were not highly subsidized. Since then, EXIM has not received similar information that would lead the Bank to consider a matching offer. Given the unregulated nature of this aid, and the difficulty in obtaining information on its volume or terms, EXIM has been building a database

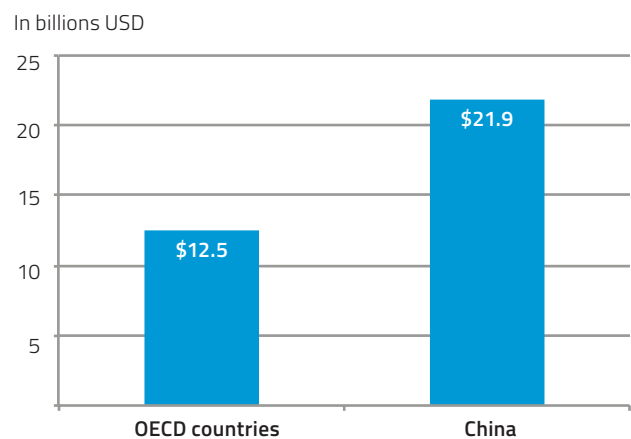
FIGURE 22: Breakdown of Volumes of Helsinki-Type Tied Aid by Sector, 2017



Source: OECD

of public sources to find instances of Chinese concessional export credits which resemble tied aid. Bearing in mind that projects identified in this search have not been verified by the Chinese government, and the information may be misreported, EXIM found a total of approximately \$22 billion in concessional activity in 2017, more than one-and-a-half times the volume of all OECD tied aid.

FIGURE 23: Comparison of Total Volume of All OECD Tied Aid and Chinese Tied Aid, 2017



Source: EXIM, OECD

COMBATTING PREDATORY FINANCING PRACTICES

Section 10(g)D of EXIM's charter requires EXIM to report actions taken by the U.S. government to combat predatory financing practices of foreign governments, including additional negotiations among participating governments that are party to the Arrangement. In 2017, the U.S. government, along with other Participants, continued to engage in discussions relating to changing the rules for untied aid, as reported in the 2016 Competitiveness Report, because of the potential for competitiveness implications of using untied aid to promote foreign exports, as expressed in EXIM's charter.

OECD UNTIED AID

In light of historical concerns regarding *de facto* tying of aid, the Arrangement requires that governments report trade-related untied aid to the Participants to the Arrangement 30 days prior to the opening of the bidding period. Furthermore, due to competitiveness concerns, Participant countries have committed to reporting untied aid credits prior to and following commitment in their Agreement on Untied ODA (Official Development Assistance) Credits Transparency. Historically, a small subset of OECD countries has provided trade-related untied aid. Those countries have provided untied aid volumes that have been higher than those of tied aid. Trade-related untied aid had been on the rise since 2014, but in 2017 untied aid volumes offered fell by 33 percent to approximately \$11.4 billion. This was the first year since 2004 that trade-related untied aid volumes were overtaken by tied aid volumes in the same year. As with tied aid and consistent with previous years' untied aid volumes, Japan offered the vast majority of the OECD untied aid. This data could illustrate a trend towards tying aid that should be monitored going forward.

CO-FINANCING

Co-financing is a financing arrangement that allows EXIM to address some of the challenges that U.S. exporters face when an export contains content from multiple countries. Specifically, co-financing is a tool that streamlines official export credit support into a one-stop financing package (a guarantee or insurance) to support transactions that include content from the U.S. and one or more other countries. With co-financing, the lead ECA provides the applicant (buyer, bank, or exporter) with export credit support for a single transaction. Behind the scenes, the follower ECA provides reinsurance (or a counter-guarantee) to the lead ECA for the follower ECA's share of the export transaction.

EXIM currently has bilateral co-financing framework agreements with 16 ECAs (see Figure 24); these agreements allow EXIM to more readily enter into co-financed transactions with those ECAs. EXIM has used all of its bilateral framework agreements, except for those signed more recently (with JBIC, CESCE, and Turk Exim) that remain unused in part due to the lack of a board quorum. Additionally, EXIM can enter into one-off, case-specific co-financing agreements with other ECAs if no bilateral framework agreement is in place. While EXIM offers co-financing as a flexibility to U.S. exporters whose goods and services have less than 85 percent U.S. content,³⁰ most foreign ECAs use co-financing to manage their country-specific exposure limits.³¹ With limited exceptions, all G7 ECAs have co-financing framework agreements with each other and increasingly with a wider scope of ECAs that includes non-OECD ECAs.

FIGURE 24: ECAs with which EXIM has Bilateral Framework Agreements

1	Australia	EFIC
2	Canada	EDC
3	Czech Republic	EGAP
4	Denmark	EKF
5	France	Bpifrance
6	Germany	Euler Hermes
7	Israel	ASHRA
8	Italy	SACE
9	Japan	JBIC
10	Japan	NEXI*
11	Korea	KEXIM**
12	Spain	CESCE
13	Switzerland	SERV
14	The Netherlands	Atradius
15	Turkey	Turk Exim*
16	United Kingdom	UKEF

* EXIM's framework agreements with NEXI and Turk Exim require that EXIM be the lead ECA.

** This agreement is limited to cargo aircraft.

Source: EXIM

30 EXIM will support the lesser of (i) 85 percent of the net contract price, or (ii) 100 percent of the U.S. content.

31 EXIM does not have exposure limits by country of geographic region.

FIGURE 25: EXIM Co-Financed Transactions, 2017

Co-Financing ECA	EXIM Lead or Follow	Market	Sector	Financed Amount*
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$643,812
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$671,189
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$675,260
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$688,361
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$694,085
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$713,886
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$735,465
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$744,263
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$751,269
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$768,343
EDC (Canada)	Lead	Costa Rica	Agricultural Aircraft	\$793,296
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$794,298
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$799,380
EDC (Canada)	Lead	Ecuador	Agricultural Aircraft	\$804,358
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$814,357
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$818,168
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$831,026
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$831,646
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$843,079
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$844,530
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$849,015
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$856,165
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$887,343
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$890,954
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$946,878
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$954,358
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,145,531
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,300,288
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$1,305,468
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,315,269
EDC (Canada)	Lead	Costa Rica	Agricultural Aircraft	\$2,208,266
EGAP (Czech Republic)	Lead	Uruguay	Agricultural Aircraft	\$630,748
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$821,472
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$823,630
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$824,034
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$861,104
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$896,670
UKEF (United Kingdom)	Follow	Poland	Large Aircraft	\$10,300,000
UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$10,440,000
UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$10,469,000
SACE (Italy)	Lead	Mexico	Small Aircraft (Helicopter)	\$10,435,744
SACE (Italy)	Lead	Mexico	Small Aircraft (Helicopter)	\$10,681,751
TOTAL				\$85,103,760

* EXIM's \$10 million limit is based on the authorized amount less the exposure fee. Financed amounts can exceed \$10 million because they include EXIM-financed exposure fees.

Source: EXIM

ENVIRONMENTAL POLICY

OVERVIEW

EXIM's environmental policy has two main objectives: (1) environmental stewardship as it relates to EXIM's Environmental and Social Due Diligence Procedures and Guidelines (ESPG), and (2) environmental export promotion. The second aspect is, as mandated by EXIM's charter, particularly focused on renewable energy export promotion.

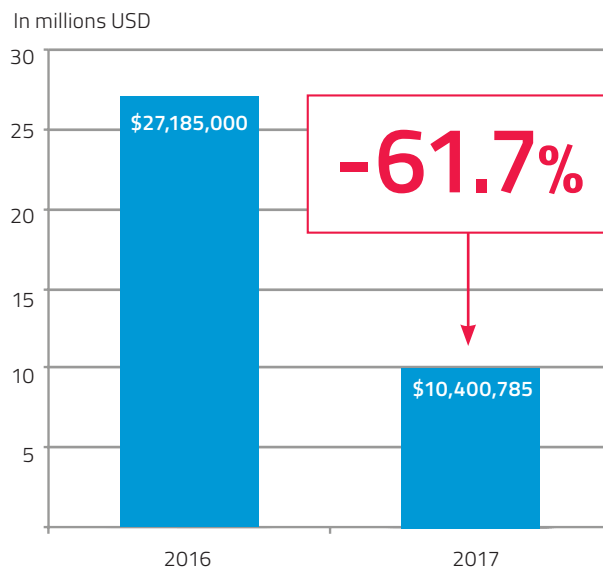
EXIM ACTIVITY

As noted in Chapter 9 of this report, EXIM's ESGP were not a factor from a competitiveness standpoint in 2017 given the constraints on EXIM's ability to authorize transactions to which the ESGP generally apply.

EXIM's MLT renewable energy authorizations remained at zero in 2017 for the second year in a row. While this report focuses on MLT activity in calendar year 2017, EXIM's charter requirement Sec. 8A(5) refers to reporting total renewable energy authorizations on a fiscal-year basis. As such, Figure 26 shows total EXIM authorizations in fiscal year 2017, including short-term authorizations.

While EXIM made no new MLT commitments in 2017, it did conduct promotional activities as per Section 2(b)(1)(k) of EXIM's charter. EXIM participated in a number of high-profile conference speaking roles, attended industry events, and met and established relationships with a number of U.S. exporters in the renewable energy industry. In addition, staff developed Priority and Managed Account Plans for the major U.S. renewable energy exporters, and major global renewable energy project developers, aimed at proactively engaging these entities.

FIGURE 26: Total EXIM Authorizations Associated with Renewable Energy in FY2016 and FY2017

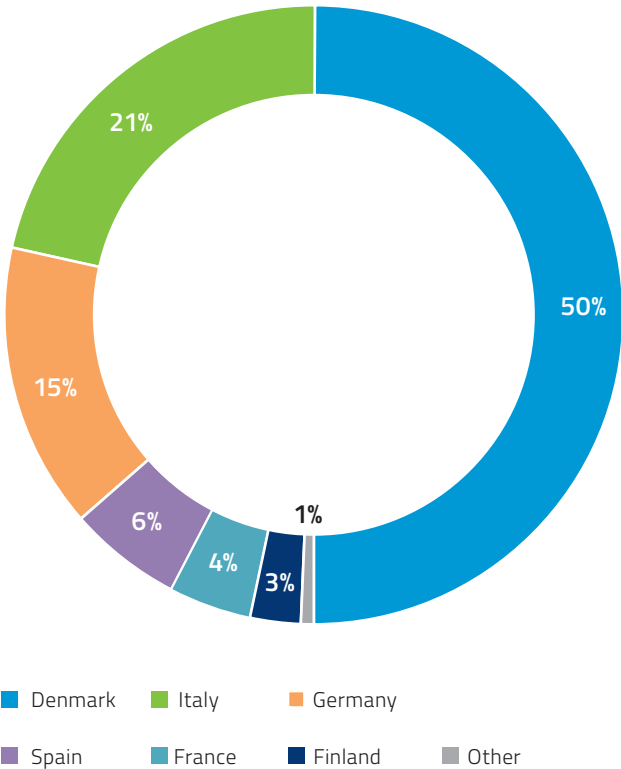


Source: EXIM

FOREIGN ECA ACTIVITY

EXIM's pronounced decline in support for renewable energy exports in 2017 was in line with the record low support for renewable energy provided by OECD ECAs. OECD ECAs' MLT support for renewable energy plummeted by more than \$1 billion, from almost \$3.3 billion in 2016 to approximately \$2.1 billion in 2017, which is the lowest volume of OECD ECA support for renewable energy since 2010. Based on official sources, EKF (Denmark) again led OECD ECA share of support for renewable energy exports in 2017, providing almost half of OECD ECA commitments by volume, which was achieved by EKF committing more than 60% of its 2017 activity to wind projects. Italy (SACE) overtook Germany for second place among OECD ECAs, providing almost a quarter of the OECD export credit commitments for renewable energy in 2017, compared to Euler Hermes, which came in third with its support for 15% of the renewable energy exports. This shift in rankings among the lead ECAs represents a break from recent years, when Denmark and Germany consistently led in the sector.

Figure 27: OECD ECA Share of Renewable Energy Commitments by Volume, 2017



Source: OECD, EKF

SERVICES

According to Section 8A(8) of EXIM's charter, EXIM must report on the participation of the Bank in providing financing for services exports. EXIM supports U.S. services exports through all of its programs. Of the \$110 million of total services export support in 2017, EXIM authorized only a fraction—\$3.5 million—for six medium-term transactions. The services sectors represented in these six transactions were engineering and consulting, legal and banking, and construction. Each medium-term transaction included the sale of a combination of a good and an associated service. (See below for an explanation of “associated service.”)

The majority of EXIM's support for services in 2017 was provided in short-term insurance and working capital guarantees. EXIM authorized \$106.6 million for 94 short-term transactions for services exports. The services sectors represented in these transactions were engineering and consulting, IT and telecommunications, and transportation. These contracts represent both associated and stand-alone services.

Associated services are services that are included with the sale of a good(s). During years when EXIM was fully operational, approximately 70 percent of EXIM financing for services exports supported associated services. This trend resulted from the high volume of projects that EXIM authorized, as projects typically include both goods and services exports. Due to the EXIM's inability to authorize transactions greater than \$10 million, in both 2016 and 2017, EXIM authorized more financing for stand-alone services than associated services.

FIGURE 28: Services Exports Authorized by EXIM, by Type and Term

Authorized Amount (in millions)	
Associated	\$32.1
Medium-Term	\$3.5
Guarantee	\$0.6
Insurance	\$3.0
Short-Term	\$28.5
Insurance	\$10.1
Working Capital	\$18.5
Stand-Alone	\$78.1
Short-Term	\$78.1
Insurance	\$28.6
Working Capital	\$49.5
TOTAL	\$110.2

Source: EXIM

FIGURE 29: Services Exports Authorized Amount by EXIM, by Term and Sector

Authorized Amount (in millions)	
Medium-Term	\$3.5
Construction	\$0.02
Engineering and Consulting	\$3.0
Legal and Banking	\$0.5
Short-Term	\$106.6
Admin and Support Services	\$7.5
Construction	\$4.1
Engineering and Consulting	\$36.2
IT and Telecommunications	\$27.3
Management Services	\$2.0
Medical	\$0.5
Oil and Gas and Mining	\$6.0
Rental and Leasing	\$0.6
Transportation	\$10.3
Other Services	\$12.2
TOTAL	\$110.2

Source: EXIM

Foreign ECA policies pertaining to support for services exports as such are evolving in tandem with ECA content policies. That is, to the extent that ECAs expand the scope of exports eligible for support beyond domestic goods, eligibility of associated services exports will follow. Based on available information, the top three services exports supported by OECD ECAs in 2017 were engineering and consulting, IT and Telecommunications, and delivery and installation. However, since services can be embedded within contracts that primarily involve goods, EXIM does not have clear visibility into all of the services supported by OECD ECAs. With that caveat, the best available information indicates that in 2017, K-sure, Finnvera, KEXIM, and SACE each financed over \$1 billion in contracts that included a services component.

U.S.-FLAG SHIPPING REQUIREMENT

Public Resolution 17 (PR-17), enacted March 26, 1934, and reaffirmed in Public Law 109-304 on October 6, 2006, expresses the sense of Congress that ocean-borne exports financed by the U.S. government should be transported on U.S.-flagged vessels. Shipping on U.S.-flagged vessels, which must be operated by U.S. citizens, is required for U.S. ocean-borne exports supported by EXIM loans (of any size) or guaranteed transactions that are more than \$20 million (excluding the exposure fee) or have a repayment term of greater than seven years (unless the export qualifies for a longer repayment term under EXIM's special medical, transportation security, or environmental initiatives).³² This U.S.-flag shipping requirement generates revenue for U.S.-flag carriers and experience for crews to ensure an effective merchant marine industry able to maintain the flow of waterborne domestic and foreign commerce during wartime or national emergency. EXIM is the only participant to the OECD Arrangement that still maintains an explicit national-flag shipping requirement to access ECA financing.³³

The \$10 million per transaction cap on EXIM activity has diminished the relevance of PR-17 to EXIM transactions. Shipments under authorizations supporting large projects often occur over several years. For this reason, although no authorizations subject to PR-17 occurred in 2017, earlier EXIM authorizations generated approximately \$1.6 million in revenue for U.S.-flag carriers during the year. This revenue, however, was less than 5 percent of the \$35.4 million earned by U.S.-flag carriers in 2014 when EXIM was fully operational.

32 When PR-17 was enacted, EXIM only offered direct loans. Subsequently, EXIM and MARAD agreed that PR-17 would apply to EXIM-guaranteed transactions that were equivalent to direct loans. A 2004 Memorandum of Understanding (MOU) signed by EXIM and MARAD revised the parameters for applying PR-17 to guaranteed transactions raising the threshold from \$10 million to \$20 million.

33 In 2017, EXIM's Brazilian and Chinese counterparts notified EXIM that they do not require national flag shipping as a condition for coverage.

TRADE PROMOTION COORDINATING COMMITTEE

BACKGROUND

Section 8A(a)(2) of EXIM's charter requires EXIM to report on its role in the U.S. government's Trade Promotion Coordinating Committee (TPCC), an interagency group that assists in the development and implementation of the Administration's National Export Strategy.³⁴ A key goal of this strategy is to make it easier for more U.S. businesses, especially small and medium-sized businesses, to begin exporting or to expand international sales. EXIM is primarily involved with the TPCC's goals related to the following four areas:

1. Expanding access to export financing by educating more financial institutions and corporations about U.S. government financing options and streamlining access.
2. Supporting state and local entities seeking to expand regional exports.
3. Providing exporters and potential foreign buyers tailored assistance and information to help them connect.
4. Implementing a U.S. government-wide initiative to streamline export reporting requirements, services, and processes to facilitate U.S. exports.

ACTIVITIES AND ACCOMPLISHMENTS FOR 2017

EXIM held quarterly training programs at headquarters. In addition, staff in EXIM's Office of Small Business, located in EXIM's 12 regional offices and headquarters, hosted or attended 642 outreach events throughout the United States.

Figure 30: Attendees at Quarterly Trainings at EXIM Headquarters



In 2017, EXIM authorized transactions totaling nearly \$2.2 billion for small businesses. Support was provided under all available programs: short and medium-term insurance, working capital, and medium-term loan guarantees.

³⁴ Agency members of the TPCC are: U.S. Departments of Commerce (Chair), State, Treasury, Agriculture, Defense, Energy, Transportation, Interior, Labor, the Overseas Private Investment Corporation, Export-Import Bank of the United States, U.S. Agency for International Development, Small Business Administration, U.S. Trade and Development Agency, U.S. Trade Representative, Environmental Protection Agency, the Council of Economic Advisors, National Security Council, National Economic Council, the Department of Homeland Security, and the Office of Management and Budget.

EXIM's outreach also benefited from an active and expanding Regional Export Promotion Program (REPP), a synergetic partnership between EXIM and entities that seek to expand exports of local businesses. To bring attention to this important partnership, EXIM promoted the REPP in various fora, such as the annual meeting of State International Development Organizations. In 2017, eight new participants joined the REPP, bringing total membership to 50. Partnerships are typically with state, county, city governments, local nonprofit economic development entities funded through universities or colleges, small business development centers, and world trade centers. To support REPP participants, EXIM redesigned its website to aid members in documenting referrals and outreach events and managing request for EXIM speakers. Additionally, EXIM held webinars and conference calls throughout the year to support REPP members' active engagement with local companies on EXIM programs.

EXIM's Working Capital Guarantee Program (WCGP) added three new Delegated Authority Lenders in 2017. As Delegated Authority Lenders, Allegiance Bank and Woodforest National Bank, both in Texas, and FDI Capital, LLC, in Virginia, will be able to respond efficiently to their customers' requests for support under EXIM's WCGP. Additionally, Huntington National Bank in Ohio was approved for an increased level of WCGP delegated authority, which can expand the bank's ability to efficiently support more small businesses.

EXIM's annual two-day conference in Washington, D.C., again attracted a sizable crowd, with nearly 900 in attendance. Attendees, including potential foreign buyers, learned about EXIM's programs. U.S. exporters had the opportunity to connect with various public and private sector entities that provide financing, insurance, logistical support, and other services. The event also featured a combination of plenary sessions and interactive breakout sessions focused on empowering U.S. companies to win more sales abroad.

EXIM also leveraged outreach to foreign buyers through TPCC partners. During 2017, EXIM's International Business Development staff briefed outgoing State and Commerce Department Foreign Service Officers on EXIM's programs. Additionally, EXIM participated in the Export Development and Project Finance Panel for Southeast Asian embassies held at the U.S. Department of Commerce (DOC). Subsequently, EXIM hosted a roundtable discussion at headquarters that included the Overseas Private Investment Corporation (OPIC) and the U.S. Trade Development Agency (USTDA) to discuss Southeast Asia outreach. Along with OPIC, USTDA, and DOC, EXIM presented at the Asia Pacific Business Outlook Conference held in Los Angeles in March.

EXIM also advanced awareness of its programs through the U.S. government's International Buyer Program (IBP). The IBP is a joint government-industry effort that brings thousands of international buyers to the United States for business-to-business matchmaking with U.S. firms exhibiting at major industry trade shows. EXIM participated in several important industry-wide trade shows promoted through the IBP, notably the International Society for Optics and Photonics (SPIE) Commercial Sensing trade show in Anaheim, California, the InfoComm trade show in Orlando, Florida, and the Lab Expo trade show in San Diego, California.

The SPIE Commercial Sensing event is the leading global sensing, imaging, and photonics technologies show for security, industry, health care, and the environment and drew more than 300 exhibitors. Both this show and the Lab Expo were chosen by the DOC as "IBP Select" events; therefore the DOC mobilized its worldwide workforce to pre-screen and facilitate foreign buyers' participation. The InfoComm trade show is well known globally and has been in the IBP program for 16 years. This year the trade show attracted an estimated 40,000 attendees. EXIM used these IBP-supported trade shows as an opportunity to brief exhibitors on EXIM programs and provide some direct business counseling along with the DOC.

EXIM was also involved in efforts, as mandated in its charter, to work in consultation with the TPCC to promote the expansion of exports to sub-Saharan Africa. EXIM interfaced with USTDA and DOC in support of trade missions to evidence EXIM's available coverage for U.S. exporters in the telecom and transportation sectors. EXIM also participated in Power Africa Working Group meetings, led by USAID and the "Doing Business in Africa" campaign led by DOC to raise awareness of the potential of the African market for U.S. exporters. During 2017, EXIM authorized over \$42.8 million in coverage under the working capital, insurance, and guarantee programs to support U.S. exports to Africa.

Finally, EXIM continued to work towards improving its operations in support of the U.S. government-wide initiative to streamline international trade transactions.³⁵ During 2017, EXIM made progress on completing the implementation of an electronic portal for the submittal of disbursement requests, including the ability to upload disbursement documents for direct loan and long-term guarantee transactions through EXIM Online.³⁶ Ultimately, it is planned that this feature will allow EXIM to interface with the U.S. government's Automated Commercial Environment system, an electronic information exchange or "single window" supporting secure online data transmission for customs. Fully connecting to this system will enable EXIM to transition away from reliance on the collection of physical bills of lading and other shipping documents and thereby reduce the burden on EXIM's customers.

³⁵ Executive Order (E.O.) 13659 Streamlining the Export/Import Process for America's Businesses was signed on February 19, 2014, and mandated the completion of the International Trade Data System to facilitate all relevant U.S. government agencies involved in trade moving from paper to efficient online processing of certain trade data.

³⁶ EXIM Online is EXIM's online customer portal through which customers and their insurance brokers can log in and arrange and apply for new insurance, report shipments, and pay premiums, among other functions.

POINT-OF-EXPERIENCE CUSTOMER SURVEY

In January 2015, EXIM implemented a point-of-experience customer survey³⁷ for users of the Bank's Express multibuyer and single-buyer insurance policies.³⁸ The five-question survey automatically generates using e-mail directly to exporters when they accept quotes for Express or single-buyer export credit insurance policies via EXIM Online. The survey gathers real-time feedback from customers as they progress through EXIM's application processes.

In 2017, 68 customers responded to EXIM's point of experience survey—a 28 percent decrease in the number of respondents compared to the previous year. As shown in Figure 31, customer responses

indicate that EXIM improved performance in all areas. Average scores regarding the extent to which application processes and processing times met customers' expectations and the extent to which instructions were clear and customers were able to accomplish what they set out to do, increased between 2 percent and 4 percent, in each category. Most notably, EXIM's overall Customer Effort Score decreased 5.5 percent, from 2.52 in 2016, to 2.38 in 2017, indicating that customers are finding it easier to do business with the Bank.

FIGURE 31: Select Results from the Point-of-Experience Survey

SURVEY QUESTION OR MEASUREMENT	AVERAGE SCORE	
	2016	2017
Overall Customer Effort Score ^{39, 40}	2.52	2.38
Explanations of the application process matched my actual experience.	4.51	4.68
Written instructions provided within the policy application were clear and understandable.	4.44	4.54
EXIM's processing time met with my expectations.	4.45	4.63
I accomplished what I set out to do in conducting this transaction.	94.74%	98.53%

Responses 1-4 are based on a 5-point scale.

Source: EXIM

37 A point-of-experience survey is a short survey that is designed to discover whether or not the customer achieved what he or she set out to do in a specific transaction. The survey is intended to help spot problems during the customer's transaction and fix the problem before it becomes an issue that leads to customer dissatisfaction.

38 Express and ESS export credit insurance policies are higher-volume product lines for EXIM and are generally held by U.S. small businesses to insure against nonpayment by a foreign buyer and/or to extend payment terms to those buyers.

39 External metric for EXIM because of its distinct linkage to the Bank's strategic goal to improve the ease of doing business for customers.

40 Low Customer Effort Scores equal low perceived effort by customers. Lower scores are positive.

APPENDIX J

LIST OF EXPORT CREDIT AGENCIES AND PROGRAMS

No.	Country	Name	Nickname
1	Algeria	Compagnie Algerienne d'Assurance et de Garantie des Exportations	CAGEX
2	Argentina	Banco de Inversión y Comercio Exterior	BICE
3	Armenia	Export Insurance Agency of Armenia	EIAA*
4	Australia+	Export Finance and Insurance Corporation	EFIC*
5	Austria+	Austria Wirtschaftsservice	AWS
6	Austria +	Oesterreichische Kontrollbank AG	OeKB*
7	Barbados	Export Credit Insurance Scheme (operated by Central Bank of Barbados)	CBB-ECIS
8	Bangladesh	Sadharan Bima Corporation	SBC
9	Belarus	Eximgarant of Belarus	Eximgarant*
10	Belgium+	Credendo Group (formerly ONDD)	Credendo Group*
11	Belgium+	Fonds Bruxellois de Garanti	FBG
12	Bosnia and Herzegovina	Export Credit Agency of Bosnia and Herzegovina	IGA*
13	Botswana	Export Credit Insurance & Guarantee Company	BECI*
14	Brazil	Agência Brasileira Gestora de Fundos Garantidores e Garantias S.A.	ABGF*
15	Brazil	Brazilian Development Bank	BNDES
16	Bulgaria+	Bulgarian Export Insurance Agency	BAEZ*
17	Cameroon	Fonds d'Aide et de Garantie des Credits aux Petites et Moyennes Entreprises	FOGAPME
18	Canada+	Export Development Canada	EDC*
19	China	China Export and Credit Insurance Corporation	Sinosure*
20	China	The Export-Import Bank of China	CEXIM
21	China - Hong Kong	Hong Kong Export Credit Corporation	HKEC/ECIC*
22	Colombia	Banco de Comercio Exterior de Colombia	Bancoldex
23	Colombia	Fondo Nacional de Garantias S.A.	FNG
24	Croatia+	Hrvatska banka za obnovu i razvitak	HBOR*
25	Czech Republic+	Export Guarantee and Insurance Corporation	EGAP*
26	Czech Republic+	Česká exportní banka, a.s.	CEB
27	Denmark+	Eksport Kredit Fonden	EKF*
28	Dominican Republic	National Bank of Exports	BANDEX
29	Ecuador	Corporación Financiera Nacional Fondo de Promocion de Exportaciones	CFN
30	Egypt	Export Credit Guarantee Company of Egypt	ECGE*
31	Estonia+	Kredex Krediidikindlustus	KredEx*
32	Finland+	Finnvera	Finnvera*
33	Finland+	Finnish Export Credit Ltd.	FEC
34	France+	Banque Publique d'Investissement	Bpifrance*
35	France+	Societe de Financement Local	SFIL

No.	Country	Name	Nickname
36	Germany+	Export Credit Guarantee Scheme of the Federal Republic of Germany (Hermes Cover)	Euler Hermes*
37	Germany+	KfW IPEX-Bank	KfW/IPEX
38	Ghana	Ghana Export Import Bank	Ghana Exim Bank
39	Greece+	Export Credit Insurance Organisation	ECIO*
40	Hungary+	Hungarian Export-Import Bank Plc.	EXIM Hungary
41	Hungary+	Hungarian Export Credit Insurance Ltd.	MEHIB*
42	India	Export Credit Guarantee Corporation of India	ECGC*
43	India	Export-Import Bank of India	I-Eximbank
44	Indonesia	PT. Asuransi Ekspor Indonesia	PT ASEI
45	Indonesia	Indonesian Eximbank	LPEI*
46	Iran	Export Guarantee Fund of Iran	EGFI*
47	Israel	Israel Export Insurance Corp. Ltd.	ASHRA*
48	Italy+	Servizi Assicurativi del Commercio Estero S.p.A.	SACE*
49	Italy+	Cassa Depositi e Prestiti	CDP
50	Jamaica	EXIM Bank Jamaica	EXIM Bank J*
51	Japan+	Nippon Export and Investment Insurance	NEXI*
52	Japan+	Japan Bank for International Cooperation	JBIC
53	Jordan	Jordan Loan Guarantee Cooperation	JLGC*
54	Kazakhstan	KazExportGarant	KazExportGarant*
55	Kazakhstan	Eximbank Kazakhstan	Eximbank Kazakhstan
56	Korea, Republic of+	Korea Trade Insurance Corporation	K-sure*
57	Korea, Republic of+	Export-Import Bank of Korea	KEXIM
58	Latvia+	SIA Latvijas Garantiju aģentūra [Latvian Guarantee Agency Ltd]	ALTUM*
59	Lithuania+	Investicijų ir Verslo Garantijos	INVEGA
60	Luxembourg+	Office du Ducroire	ODL*
61	Macedonia	Macedonian Bank for Development Promotion AD Skopje	MBDP*
62	Malaysia	Export-Import Bank of Malaysia Berhad	MEXIM*
63	Mexico	Banco Nacional de Comercio Exterior, SNC	Bancomext*
64	Morocco	Caisse Central de Garantie	CCG
65	Namibia	Development Bank of Namibia	DBN
66	Netherlands+	Atradius Dutch State Business	Atradius*
67	New Zealand+	New Zealand Export Credit Office	NZECO*
68	Nigeria	Nigerian Export-Import Bank	NEXIM
69	Norway+	Export Credit Norway	ECN
70	Norway+	Garanti-instituttet for eksportkreditt	GIEK*
71	Oman	Export Credit Guarantee Agency of Oman (S.A.O.C)	ECGA Oman*
72	Philippines	Philippine Export-Import Credit Agency	PhilEXIM
73	Poland+	Korporacja Ubezpieczeń Kredytów Eksportowych	KUKE*
74	Poland+	Bank Gospodarstwa Krajowego	BGK
75	Portugal+	Companhia de Seguro de Créditos	COSEC*
76	Qatar	TASDEER (managed by the Qatar Development Bank)	TASDEER/QDB*
77	Romania+	Eximbank of Romania	EXIM R*
78	Russia	Export Insurance Agency of Russia	EXIAR*

No.	Country	Name	Nickname
79	Russia	Vnesheconombank	VEB
80	Russia	Export-Import Bank of Russia	Russia EXIM
81	Saudi Arabia	Saudi Export Program	SEP*
82	Senegal	Société Nationale d'Assurances du Crédit et du Cautionnement	SONAC*
83	Serbia	Serbian Export Credit and Insurance Agency	AOFI*
84	Singapore	ECICS Ltd.	ECICS*
85	Singapore	Enterprise Singapore	ES*
86	Slovakia+	Export-Import Bank of the Slovak Republic	EXIMBANKA SR*
87	Slovenia+	Slovenska izvozna in razvojna banka	SID*
88	South Africa	Export-Import Credit Insurance Corporation of South Africa	ECIC*
89	Spain+	Compañía Española de Seguros de Crédito a la Exportación	CESCE*
90	Spain+	Fondo para la Internacionalización de la Empresa	FIEM
91	Sri Lanka	Sri Lanka Export Credit Insurance Corporation	SLEIC*
92	Sudan	National Agency for Insurance and Finance of Export	NAIFE*
93	Swaziland	Central Bank of Swaziland Export Credit Guarantee scheme	ECG
94	Sweden+	Svensk Exportkredit	SEK
95	Sweden+	Exportkreditnämnden	EKN*
96	Switzerland+	Swiss Export Risk Insurance	SERV*
97	Taiwan	Export-Import Bank of the Republic of China	TEBC*
98	Tanzania	Export Credit Guarantee Scheme	ECGS
99	Thailand	Export-Import Bank of Thailand	Thai EXIMBANK*
100	Trinidad & Tobago	Export-Import Bank of Trinidad & Tobago Ltd.	Eximbank TT
101	Tunisia	Compagnie Tunisienne pour l'Assurance du Commerce Extérieur	COTUNACE
102	Turkey	Export Credit Bank of Turkey	Türk Exim*
103	UAE	Export Credit Insurance Company of the Emirates	ECIE*
104	Ukraine	Joint Stock Company The State Export-Import Bank of Ukraine (JSC Ukreximbank)	Ukreximbank*
105	United Kingdom+	UK Export Finance, the operating name of the Export Credits Guarantee Department	UKEF*
106	United States+	Export-Import Bank of the United States	EXIM*
107	Uruguay	Banco de Seguros del Estado	BSE
108	Uzbekistan	Uzbekinvest National Export-Import Insurance Company	Uzbekinvest*
109	Zambia	Zambia Export and Import Bank	ZEXIM
110	Zimbabwe	Export Credit Guarantee Corporation of Zimbabwe	ECGC Z*

* Indicates ECA is a member of the Berne Union

+ Indicates country is a Participant to the OECD Arrangement on Officially Supported Export Credits

Note: This list of export credit agencies and related programs is informational in nature and not exhaustive given the evolving number of global export credit schemes. A substantial portion (but not all) of the export credit activity supported by the listed export credit providers in 2017 has been captured in the Competitiveness Report's analysis.

GLOSSARY

Associated Service: A service export that is related to the export of a good (e.g., transportation/logistical services related to the export of construction equipment).

Authorization: The approval of a transaction.

CIRR: Commercial Interest Reference Rates. Commercially-indexed official lending rates for export credit agencies established under the OECD Arrangement as a base for setting interest rates for export finance.

Concessional Financing: Financing that is extended on terms that result in a negative Net Present Value relative to an applied discount rate. The concessionality is achieved through interest rates below a reference discount rate, by grace periods, or a combination of these.

Cover Policy: A risk-rating policy used by EXIM determine to which markets the Bank will extend credit and what premia rates to charge to compensate for the risk of those markets.

Coverage: Under an export credit insurance policy, the percentage of an export credit against which an ECA will indemnify to the lender in the case of nonpayment.

Credit: An agreement by which one party is permitted to defer repayment of a financial obligation to another party over time (thus creating a debt obligation).

Direct Lending: Financing provided directly by an ECA to a borrower (in contrast to pure cover).

Domestic Content: The value of the export(s) under an export contract that were produced in the ECA's country.

Export Credit: A financial instrument which allows the buyer of a cross-border good or service to defer payment of that good or service through the creation of a debt obligation.

Export Credit Agency (ECA): An agency of or on behalf of a creditor country that provides Export Credit (or Export Credit cover), in the form of insurance, guarantees, loans, or interest rate support, for the export of goods and services.

Foreign Content: Any value of export(s) in an export contract (including both for goods or services) which is produced within any country other than the either the ECA's or the foreign buyer's country.

"Gentleman's Agreement": An informal or non-legally binding agreement. The OECD Arrangement is considered a "Gentleman's Agreement;" however, EXIM and its OECD counterparts treat the Arrangement as "rules."

Investment Support: 1. Insurance or guarantee that indemnifies an equity investor or a bank financing the equity investment for losses incurred to a cross-border investment as a result of political risks. 2. Insurance or guarantee that indemnifies the counterparty to a cross-border debt obligation for losses incurred by nonpayment by the debt obligor. The debt obligation is provided without any requirement that the capital be used to finance an export or international trade.

Local Costs: Project or export-related costs for goods and services incurred in the buyer's country.

Long-Term Finance: Export-financing transactions with repayment terms greater than seven years or for amounts greater than \$10 million.

Market Window: Official export financing that is commercially priced by setting all financing terms to market terms and conditions. This type of export finance falls outside the OECD Arrangement.

Medium-Term Finance: Export-financing transactions with repayment terms of up to seven years and for amounts up to \$10 million.

Non-OECD Export Credit Agencies: ECAs that are not a party to the OECD Arrangement on Export Credits.

OECD Arrangement: A "Gentleman's Agreement" that establishes transparency provisions and guidelines governing the financing terms and conditions of export credits provided by participating ECAs.

OECD Notification: Part of the transparency provisions under the OECD Arrangement which requires participants to inform the OECD Secretariat of an offer under the OECD Arrangement.

Offer: ECA support extended in relation to an export contract prior to commitment, which may not materialize into a transaction.

Premia (also known as exposure fee): The amounts an ECA charges to cover the liabilities associated with expected losses (i.e. claims) resulting from the risk of nonpayment. It is a form of compensation for taking risk above risk-free investments such as government bonds.

Project Finance: The financing of an asset (or "project"), based on a non-recourse or limited-recourse financial structure whereby the lender relies on the underlying cash flows being generated by the asset as the source of repayment for the loan.

Pure Cover: Official support provided for an export credit in the form of guarantee or insurance only.

Short-Term Finance: Export financing with repayment terms less than two years. The OECD Arrangement rules do not apply to transactions with repayment terms of less than two years.

Special Drawing Right (SDR): The SDR is an international reserve asset created by the IMF in 1969 to supplement its member countries' official reserves. SDRs can be exchanged for freely usable currencies. The value of the SDR is based on a basket of five major currencies: the U.S. dollar, the euro, the Chinese renminbi (RMB), the Japanese yen, and the British pound sterling.

Stand-Alone Service: A service export that is an export in and of itself (e.g., architectural or design services).

Structured Finance: The financing of a project that relies on the underlying project's revenues to ensure against the risk of nonpayment (however the lender typically has recourse to the borrower in the case of non-payment), but is not the sole source of repayment.

Tenor: The term length of time from initial loan repayment to maturity.

Tied Aid: Aid which is in effect (in law or in fact) tied to the procurement of goods and/or services from the donor country and/or a restricted number of countries, including loans, grants, or associated financing packages with a concessionality level greater than zero percent.

Tied Export Support: Support for an export credit of which the offer of support is predicated on the condition of procurement from one country or a limited number of countries.

Transaction: Confirmed ECA support for an export credit signified by issuing a final commitment.

Untied Aid: Financing with a concessionality level greater than zero of which the proceeds can be used freely to procure goods or services from any country.

Untied Export Support: Official export financing on non-concessional terms for which the offer of support is not predicated on the condition of procurement restrictions. This type of finance falls outside of the scope of the OECD Arrangement.

ACRONYMS AND ABBREVIATIONS

AFIC Aircraft Finance Insurance Consortium

AML Anti-Money Laundering

BRI Belt and Road Initiative (formerly One Belt, One Road)

BRICS Brazil, Russia, India, China, and South Africa

CIRR Commercial Interest Reference Rate

CRA Credit Rating Agency

DOC Department of Commerce

DIT Department of International Trade (United Kingdom)

DFI Development Finance Institutions

ECA Export Credit Agency

EDCF Economic Development Cooperation Fund

EPC Engineering, Procurement, and Construction

EPCF Engineering, Procurement, Construction, and Finance

ESPG Environmental and Social Due Diligence Procedures and Guidelines

G7 Group of Seven Countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)

GDP Gross Domestic Product

GFC Global Financial Crisis

IBP International Buyer Program

KYC Know Your Customer

LT Long-Term

MLT Medium- and Long-Term

MT Medium-Term

OECD Organisation for Economic Co-operation and Development

OPIC Overseas Private Investment Corporation

PQI Partnership for Quality Infrastructure

PR-17 Public Resolution 17

REPP Regional Export Promotion Program

SDR Special Drawing Right

SME Small and Medium-Sized Enterprises

SPIE International Society for Optics and Photonics

ST Short-Term

TACPF Tied Aid Credit Program and Fund

TPCC Trade Promotion Coordinating Authority

TXF Trade and Export Finance

USTDA United States Trade and Development Agency

WCGP Working Capital Guarantee Program



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